SCIENTIFIC INVESTMENT FOR EVERYBODY

THE MAGAZINE OF WALL STREET

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EDITORIAL

What "The Magazine of Wall Street" Stands For

WITH the November issue, this magazine began its sixth year. Twice, since last April, we have increased our reading pages, so that the magazine is now 50 per cent. larger than it was last March.

* * *

A financial magazine which "sticks" for six years, with increasing patronage and prosperity, evidently fills a want and must be acknowledged to be a permanent success.

That success has been due largely to the fact that our magazine was unique and covered a new field. In our early issues we blocked out for ourselves the field of practical, conservative speculation and investment, and we have never seen any reason to wander from these subjects.

* * *

The growth of the magazine has been simply a logical and orderly development. The subjects of investment and speculation are inextricably mixed and combined. For the first two years we considered these subjects together or separately, as occasion arose, without any attempt at definite division.

Then we began to classify our matter into speculative articles or investment articles, according to their predominating character. Next, as the magazine continued to grow, we established departments—a Bond Department, Investment Department, Traders' Department, statistics, the current financial situation,—in addition to general articles and editorials.

* * *

In this course of development, we have never cut down the supply of matter interesting to any particular class of readers. The active trader finds as much in the magazine today that bears on his special interests as it ever contained. The same is true of the investor, the speculative investor, or the bond buyer.

We have endeavored to develop each department in a systematic and well-ordered growth, and to add new features as demand for them appeared. For example, in this issue we add a Public Utilities Department.

As the magazine broadened out, we concluded that the name "The Ticker and Investment Digest," under which it was at first

published, did not fully represent us, so we changed the title to "The Magazine of Wall Street." We also began to issue "The Trend Letter," giving our opinion as to the general trend of the stock market.

* * *

We know that our work has not been without its effect. We have always discouraged the gambling kind of speculation; and there is less of it today than ever before within the memory of the present generation. We have promoted careful, intelligent study of market conditions; and there is more of that kind of study now than ever before. We have counseled the public to buy in the panics and sell on the booms; and it is the universal testimony of brokerage houses that a larger proportion of the public does this now than ever before. We have insisted that there is a science of speculative investment; and more people are ready to admit that today than ever before.

In the beginning, we laid down a rule for the selection of our articles. That rule is still in force today. It is this:

"WILL THIS ARTICLE HELP OUR READERS MAKE MONEY?"

And many readers have written us or stated to us that they have made hundreds or thousands of dollars as a result of ideas obtained from our columns.

* * *

On the whole, we feel that we have a record of achievement behind us, and we take satisfaction in it because it has been independently won. We have truckled to nobody, curried favor with nobody, have never relaxed our standard of honesty toward our readers, and we wear the collar of no special interest.

* * *

In 1913 we intend to make the magazine bigger, better, broader and brighter than ever before. We expect to add other important features and to increase our usefulness to our readers. We expect, in a word, to keep on doing the same thing as heretofore, but doing it better. We hope to make the history of this magazine one of systematic and continuous progress in the rendering of a **practical benefit** to readers.

G. C. SELDEN

Associate Editor "The Magazine of Wall Street;" Author of "What Makes the Market?" "Psychology of the Stock Market," "Investing for Profit," etc.

THE MAGAZINE OF WALL STREET
(FORMERLY THE TICKER AND INVESTMENT DIGEST)

SCIENTIFIC INVESTMENT FOR EVERYBODY.

Vol. 11 DECEMBER, 1912 No. 2

Looking Forward

A Conversation Between a Prominent Banker, a Large Operator, an Investor and Myself

OBVIOUSLY there were four of us. The banker had dropped in for a chat and the rest of us were very glad of a chance at him, for he was a man of large affairs, and it is usually necessary to send in your card and await your turn.

THE BANKER: Well, what do you gentlemen think of the market?

THE OPERATOR: I believe the consensus of opinion here is bearish.

THE BANKER: For what reason?

MYSELF: Taking a long view, do you not believe we are approaching a point where the world's supply of cash will be tied up, as it was in 1907?

BANKER: Yes. And in proof of the fact that I do not consider it time to invest money for a long pull, $500,000 of my wife's money is lying in a trust company at 2 per cent. interest. I do not feel like investing this money at present, because nothing looks to me exceptionally cheap; but if anything should come along to put the price of Amalgamated Copper, for example, down to 50, I would have no hesitation in placing the funds.

THE INVESTOR: At what level would you consider Steel common cheap?

BANKER: It will surprise you to know that never, since its inception, have I considered Steel common a sound medium, because I was brought up with the old-fashioned New England idea that the way to run a plant is to appropriate a very large percentage of earnings to depreciation and betterments. The Steel Corporation has never approached my standard in this respect, although I have missed many opportunities by withholding. A property must be fundamentally right or I will not touch it. It may be some time, but I believe we shall see the day when Steel common will no longer pay dividends.

INVESTOR: But there are some very good people in the Street who tell me to buy it. Take that twenty thousand shares traded in around 75 today; ten thousand shares being sold by one broker, and bought by a few houses with Steel Corporation connections. Insiders must be bullish on the stock or they would not support the market.

OPERATOR: That support may not be permanent. There may be a definite object for not wishing to see the market for Steel decline today, although this same ten thousand shares may come out

at a fractional advance. I am hoping for another rally to 80, when I want to get short of it.

BANKER: What makes you so bearish?

OPERATOR: We have now what amounts to an industrial boom, the basis for which is good crops. The newspapers have been feeding us with the fallacy that a billion dollars represents the increased value of farm products for 1912, compared with the previous year. If this were true, I should be less a bear; but the government figures prove that the increased value amounts to only one-eighth that sum or one hundred and twenty-five million dollars, which is not a period in the dictionary. Your corn crop, large as it is, figures fifty million dollars less in market value than the 1911 crop. Admitting that big crops make tonnage for the railroads, this will enable them to make up the losses of last year, but you won't see many dividend increases coming along as a result.

Then we have issued an enormous quantity of securities. In many markets there is already a state of congestion. This is particularly true of London. The answer to congestion is liquidation; that which we have seen has only scratched the surface; it has been speculative liquidation. The real investors have not been thoroughly shaken out since 1907, and about once in so often, history shows this must occur. In 1903 our wealthiest men were obliged to liquidate. In 1907 some of those whom 1903 made richer were forced to disgorge. A piece of machinery which gets out of order does not fix itself, and the world's financial machinery is becoming clogged.

BANKER: You may be right, but I believe you will see higher prices first. When money returns in December, or between that time and February, there should be an important upswing, so I would be in no hurry about selling stocks short, if I were you.

OPERATOR: I am not afraid of any upturn, because if it becomes important, I shall go along with the tide. While my day to day commitments may be on one side or the other, I always have in mind the general direction in which the market is traveling, and I cannot figure out why a bull market should start with the level of prices eight or ten points below the highest of this year and twenty or forty points above the lowest of 1911.

MYSELF: From my standpoint, it is not so much a question of the banking or investment position as it is the position of the largest interests in the Street. If these people have sold all their stocks we shall certainly witness a period of declining prices, as the public only supports the market in times of panic. If these interests have sold only a portion of their long holdings, it is likely that they will undertake another campaign on the up side for the purpose of distributing. I would rather know where these big people stand than any other one thing about the market.

INVESTOR: I am told that Otto Kahn, before he sailed for England, expressed a bearish opinion. Kuhn, Loeb & Company ought to have a fairly good idea of the outlook, but this may be influenced largely by the position of Union Pacific. By the way, that Supreme Court decision on the Union Pacific merger may be handed down any Monday now. How do you think it will go?

MYSELF: I believe it will favor the company; that is, the merger will be sustained.

INVESTOR: Some very prominent banking interests tell me not to be too sure of that. At any rate, they say some important liquidation in Union Pacific has taken place within the past year. Now, whose do you suppose this can be?

MYSELF: Mr. Frick got out last year, which would leave only the Harriman, Kuhn-Loeb, Morgan and possibly the Rockefeller interests.

BANKER: The management, I believe, expects the decision in its favor, so the selling could hardly come from that quarter.

OPERATOR: I can't see any evidence of important liquidation, although I will admit the stock doesn't respond to a possible decision every Monday, as in the case of Reading. Judging from its market action, I should say Union Pacific is getting to be a good deal of an investment proposition.

INVESTOR: Did you ever stop to think how much of a railroad it would be if it were stripped of its connections?

MYSELF: Yes, I've been over it. It runs from Omaha to Ogden.

INVESTOR: Well, it couldn't secure much freight between those two points, if the system should be dismembered.

MYSELF: No, but remember, there is such a thing as a traffic agreement, and as a railroad, it surely could earn something. And before it can be reduced to a mere railroad, the company must distribute its holdings of Southern Pacific, New York Central, B. & O., etc., which ought to figure 75 or par.

BANKER: Well, all this remains to be seen. I'm going to lunch.

INVESTOR: Let's all go to lunch.

And we did.

Forecasting Business Conditions

By LAWRENCE CHAMBERLAIN

Author of "The Principles of Bond Investment" and "The Work of the Bond Houses"

A Survey of Present Conditions

BEFORE developing further, and in regular order, the proper subject matter of these papers, I wish to say a word concerning the present business situation. During the past two months a number of inquiries have come to me through the mails or by telephone asking for my opinion of the present outlook. Whether my catechists are solicitous about the interests they have at stake or whether they wish to test my powers as a seer I do not know. Maybe they feel like the average housewife who insists on trying a new cleaning polish on her brasses before purchasing. I have nothing to sell them, but they may begrudge the time and effort necessary to follow and understand these studies unless satisfied of the dollars-and-cents value of them.

If the inquiries are meant as a test of the theory they are natural; but the trouble is that without a full understanding of the theory there can be no full understanding of what the theory has to say of the probable relation of past and present conditions to future. However, the present is a remarkably good time to win converts to this study provided the future bears out the testimony of present indications, because these indications point to exactly opposite conclusions from those of an almost unanimous public and press.

This paper is begun on November 6, the day after Wilson's election by an overwhelming vote. The stock market has leaped up several points in the past few hours. Mr. Wilson has issued a reassurance to business men. It is a day of general optimism following several months of rapidly improving sentiment—a sentiment that had a sound basis in remarkably good crops. One direct return from crop production is yet to come, in the shape of final payment; but another direct result is here in an uncomfortably heavy transportation, which in turn has caused the booking of heavy orders with the equipment companies; and this again has meant much business for the steel companies and other contributors of labor and supplies, etc., etc., ad infinitum.

Since steel and iron production are considered such excellent barometers of trade let us look a little further into this. Heavy orders are being taken from some of the most important buyers of the country by leading sellers for delivery during the second, third and fourth quarters of next year. The independent manufacturers in the Chicago district and the plants there and at Gary of the United States Steel Corporation cannot assure deliveries before the distant future. The Pennsylvania, St. Paul, Canadian Pacific are said to be placing orders for hundreds of thousands of tons of steel rails, here and abroad.* This is

*Cf. Current numbers of the *Iron Trade Review*.

the talk of the times. It is at once an indication and a creator of sentiment.

My occupation keeps me in daily touch with traveling representatives who constantly sound the business views and sentiments of bankers and men of affairs in different parts of the country. With the exception of some hesitancy up to the present because of an impending presidential election, the undertone of feeling is excellent, and new undertakings are on foot, everywhere.

Politics have not been a serious deterrent since the nominating conventions. The stock market began the advance made possible by crops and politics during the week ending July 27. We have every reason to believe that business has extended proportionately. The two following tables may give some idea of the extent of the rapid change:

Idle Cars.

Average for week ended		
Oct. 30, 1908	100,000	Net Surplus
Oct. 29, 1909	5,700	Net Shortage
Nov. 4, 1910	7,200	Net Surplus
Nov. 3, 1911	20,500	" "
Aug. 2, 1912	56,500	" "
Oct. 11, 1912	31,600	Net Shortage

Bank Clearings Outside New York.

Week ended		
July 26, 1912	1.6%	Above Normal
Oct. 25, 1912	11.7%	" "

This hopeful aspect of changing conditions has received more than proportionate advertisement. It is in every man's mind and on every man's tongue. Only those who study facts without prejudice—and they are altogether too few—have raised a protest. Their protest has been based largely on banking conditions. As late as November 1 a prominent Wall Street house takes exception to this protest in the opening sentences of its market letter, as follows:

"Great stress has been laid on the money situation by financial writers recently. We all know that general business activity means a tightening in money rates and there is no better foundation for higher prices in investment issues."

This is the sort of easy generalization that is quickly written and as quickly forgotten. A tightening of money rates is *not* a foundation for higher investment prices. It is merely a late consequence. Proof will come forth at its proper place in this series. The logical conclusion from such a thought is that a weakening of money and banking conditions improves security prices and conversely that a strengthening of money and banking conditions is the *cause* of decline in security prices. The thing is absurd on the face of it.

The fact is that monetary conditions *have* been growing worse as business activity has increased, although the two facts do not stand in relation of cause and effect. We have been losing money *steadily* at New York and have been reducing our surplus reserves, even allowing for customary seasonal weakness. Reserves, of course, are usually lowest around crop moving time. The following figures, from sources to be described later, easily accessible to anybody, and without cost, indicate the facts:

Money. All New York Banks and Trust Companies:

July 26, 1912	$522,000,000
Nov. 1, 1912	470,200,000

Surplus Reserves. New York Associated Banks:

July 26, 1912	$17,000,000
Nov. 1, 1912	4,300,000

Ratio of Reserves to Deposits. New York Associated Banks:

July 26, 1912	26.20%
Nov. 1, 1912	25.32%
Nov. 3, 1911	25.95%
Nov. 4, 1910	25.45%
Oct. 29, 1909	26.16%
Oct. 30, 1908	27.56%

It is to be remembered in connection with the figures just above that 25 is the legal minimum reserve. Therefore a fall from 26.20 per cent. to 25.32 per cent. is noteworthy.

Even to maintain this narrow surplus of reserve over legal requirements and on a lessening amount of cash the New York banks have been obliged (with business expanding) to call their loans and thus reduce their loans and the deposits that are made possible by the loans—as follows:

Loans. All New York Banks and Trust Companies:

July 26, 1912	$2,659,000,000
Nov. 1, 1912	2,515,000,000

Loans. New York Associated Banks:

July 26, 1912	$1,389,000,000
Nov. 1, 1912	1,328,000,000

Deposits. New York Associated Banks:

July 26, 1912	$1,426,000,000
Nov. 1, 1912	1,317,000,000

The withdrawal of cash and the calling of loans at a time that business is picking up and demanding more money can result in only one thing, unless there is help from abroad, and that is a strain on credit that forces up interest rates *and lowers investment* (bond) *prices*.

	July 26, 1912.	Nov. 1, 1912.
Ratio of Loans to Deposits. New York Associated Banks	97.40%	100.86%
Commercial Paper	4.56%	6.00%
Call Money	2.73%	6.13%
Railway Bonds	99.30%	98.36%

The rates for call money are now higher than they have been for this season of the year since the panic of 1907.

Now, in this conflict of opposing forces, bad monetary conditions against good business conditions, one or the other must win, ultimately. If business is to win it must replenish the banks. Relief must come principally from abroad. Whence else can it come? Is money being hoarded here? Unfortunately, as the result of German over-speculation, the Italo-Turkish war, and the present Balkan struggle there is slight prospect of immediate relief from abroad. If we count on the payment of cash for our exported crops we are likely to be disappointed. We shall probably be paid in our own securities now owned abroad. The present discount rates of the principal European banks tell the story.

Bank of England:

Feb. 8, 1912	3½%
May 9, 1912	3%
Aug. 28, 1912	4%
Oct. 17, 1912	5%

Bank of France:

Sept. 21, 1911	3½%
May 17, 1912	3%
Oct. 17, 1912	3½%

Three and one-half per cent. is the French maximum rate of recent years, except from November 7, 1907, to January 10, 1908 (the time of our panic).

The Reichsbank (Germany):

Sept. 19, 1911	5%
June 11, 1912	4½%
Oct. 24, 1912	5%*

*On November 14, as this article went to press, the German rate went to 6 per cent.

Bank of Belgium:

Oct. 1, 1911	4½%
May 30, 1912	4%
Oct. 17, 1912	5%

Thus far we have confined ourselves to figures that come from authoritative and unprejudiced sources. If we had to deal with nothing but figures our problem would be simplified and our conclusions less fallible. Unfortunately, external forces that are not predicable transpire occasionally like *explosions*, and, coming without warning, leave a sequence of results too easily expressed in figures.

Sometimes these explosions of force can be foreseen, or at least suspected, if they cannot be pre-figured. Wars, political and economic revolutions are of this disposition. But calamities of nature: *acta dei*: pestilence, earthquakes and assassinations, take us unaware. The effects of accidental occurrences, however, are usually not so far-reaching—from the very fact that they are accidental, and not part and parcel of a firmly established order.

In illustration of the relatively unforeseeable (from an American point of view) this Balkan conflict will serve; of the foreseeable but immeasurable, the coming tariff revision is equally good.

A speedy issue of the Balkan difficulties that is satisfactory to the powers may release optimism and cash for our uses in a way that may surprise us.

But this much now may be said regarding the business and financial outlook. Unless and until there is an absolute reversal of the downward trend in banking conditions that has existed since June of this year, we cannot expect any continued betterment in business conditions. For any further expansion of activity without corresponding improvement in banking conditions we must expect to pay twice over, later, by enforced liquidation.

I have been insisting on this for months, part of the time when stocks were rising, backed by the speculative wish that is father to the thought of better times. It takes courage to *appear* to be in the wrong for weeks if not months at a time. But up to the present these upward surges of sentiment and activity have been compelled to subside, here and there, to a level little, if any, higher than that from which they started, because

they did not have at the bottom a money foundation sufficiently solid to support them.

Now the figures I have chosen to back my contention that a prosperous future is not yet assured seem self-consistent and plausible. They seem to point harmoniously in the direction of my running comments on them. It will surprise many when I say that under certain conditions equally plausible figures pointing this same way might, on careful analysis, prove exactly the opposite of my present thesis. In other words the statistical methods I have used are so fallacious, when not "purified" that they may lead to absolutely false conclusions.

Even for the sake of satisfying the natural curiosity of the readers of this magazine, therefore, I should not have been justified in using this statistical material in its crude state, if it had not happened (accidentally enough) that the crude and the refined material yielded in this instance the same general results.

It is next in order to state what purification or refinement of the material is necessary to obtain correct results. To do so is to anticipate later articles that will deal at length with the method of handling the materials. Still something may be said now without loss by repetition somewhat later.

The two principal sources of error in the use of business figure are (1) neglect of regularly recurring fluctuations due to seasons of the year, and (2) neglect of the fairly steady and certain growth of this country. Therefore where such exist we must eliminate Seasonal Variations, as they are called, and the Increment of Normal Growth.

If for instance the earnings of all railroads are substantially better during the second quarter of the fiscal year than during the first quarter, it does not necessarily follow that business is picking up all over the country, for the earnings of the second quarter ordinarily are much better than those of the first quarter. During October, November and December crops are being moved, and in general fall and winter activity is greater than summer. If, however, earnings for the second quarter of the fiscal year exceed those of the first quarter by an amount substantially greater than earnings for the second quarter have usually exceeded earnings for the first quarter, then by that net difference we are to judge the extent which transportation has improved.

Likewise, in a study of banking conditions, a loss of cash reserves in the New York banks during the second quarter in itself has no significance whatever. It is only as this loss exceeds or is less than the average loss at this season of the year, when money goes Westward to finance crop movements, that the reserve statement of the New York Clearing House takes on real significance.

There is still the second element of change to reckon with. As railroad earnings vary from year to year—now higher, now lower—it is not enough that the average level of income remains constant; it should rise, for otherwise it is falling behind the average level of most roads, which is rising. A clearer illustration will come from bank clearings. An increase in business activity is best indicated by bank clearings, which measure the amount of checks that pass through clearing houses in different cities. Obviously an increase in clearings means an increase in business activity. But in a city like Los Angeles, that has increased its clearings 800 per cent., or nearly $900,000,000, in 11 years, a gain of $6,000,000 in a month means little as to changing conditions, for it represents less than the average monthly gain for the 11-year period.

But if we have eliminated seasonal differences by observing what these differences are over a period of years, and if we have eliminated normal growth, by observing what is the normal rate of growth over a period of years, then our purified result can be relied on as a basis of judgment for present and future variations. Fortunately for our patience no other eliminations are necessary.

It will now be seen what I meant a few paragraphs back in stating that the figures presented might lead to false, as well as to correct, conclusions, since for the most part they were "crude" quantitative figures from which had not been eliminated seasonal differences or normal growth. This is particularly true of the statement of money conditions: Money in all New York banks, and Sur-

plus Reserves of the New York Associated Banks. For all a layman might know, a loss by all banks of $51,800,000 in cash between July 26 and November 1 might be the expected and usual thing; so also the loss of $12,700,000 of surplus reserves. However, there has been some attempt to check up the loss in the ratio of reserves to deposits from July 26 to November 1, by showing what this ratio was about November 1, during the preceding four years.

But the simplest and most accurate way of eliminating the two misleading factors is to reduce the actual figures to a percentage basis, in which 100 per cent. represents normal experience and all other percentages the ratio of current conditions to normal experience. This I have done under the caption of "Bank Clearings Outside New York." Properly interpreted the figures there mean that on July 26, 1912, bank clearings outside of New York were 1.6 per cent. better than we should expect to find at that season of the year, basing our judgment on the experience of many years past; whereas on October 25, 1912, these clearings had jumped to 11.7 per cent. of what would ordinarily be expected around October 25.

It must not be thought that all the factors that properly enter into the discussion of the present business outlook have been presented in these remarks. I have simply endeavored, in advance of a proper development of my subject, to show with as much clearness as possible (and by an improper method because the proper one we have not yet studied), how figures may be used to guide us in our commitments.

Having opened up the subject in this paper it will be in order each month hereafter to indicate the general trend of change in business activity and money conditions on which this activity is based; but it will not be necessary to devote much space to the matter. Succeeding papers will continue discussion of the materials with which we work and the method of reading the story they have to tell us.

(*To be continued.*)

Tom Lawson Again

He Has Given the People Four Years to Forget "National Stock"

EDITOR of THE MAGAZINE OF WALL STREET:

I remember several years ago you had a little tilt with *Everybody's Magazine*, which caused the editor of that publication to crawl into his hole and pull his stock exchange articles in after him.

A little later *Everybody's* made a big splurge over another series of articles on Wall Street by Lincoln Steffens, which was to be the "real thing." These proved very flat and were discontinued after a few issues.

Now I see Tom Lawson has again taken up the cudgels, and I am interested to know what comments, if any, you have to make on his articles. OLD SUBSCRIBER.

Many of our present subscribers are unfamiliar with our little argument with *Everybody's Magazine* some four years ago. *Everybody's* was publishing some one-sided and ill-considered articles attacking Wall Street and the stock exchange. We called attention to the fact that these articles plainly showed that their writers did not know what they were talking about, and expressed doubt whether the editor of *Everybody's* knew much about Wall Street. We then asked a number of pointed questions, which seemed to annoy him very much, as he printed an elaborate reply, and thereafter discontinued the series of articles.

Some of Mr. Ridgway's remarks at that time are amusing to look back upon. For example, in a paragraph evidently meant to be quite crushing, he implied that this magazine, which was then young, would not last long. Well, we are still here and doing nicely, thank you; but in the meantime *Everybody's* has had a variegated career. After losing over half a million dollars in the attempt to establish *Ridgway's Weekly*, which proved a complete fizzle and caused Mr. Thayer, the real business man of the group, to withdraw from the company, *Everybody's* next sold securities to the public to get money for the erection of a printing plant. We have inquired, but have never been informed when and where this plant was erected, or what became of the cash. The magazine was soon after sold to the Butterick Publishing Company, Mr. Ridgway remaining with it. The Butterick stock, by the way, is listed in that den of iniquity, the New York Stock Exchange. Mr. Ridgway denounces

Wall Street with much fervor and abandon, but he is not able to manage his business without making use of the machinery that Wall Street provides.

As to Lawson's latest articles, the two which have been published are so rambling and illogical that they are not worthy of serious criticism. After reading them, one is inclined to question whether Lawson is not really becoming a paranoiac. It is common sympton for the paranoiac to scribble such sentences as "The blue cow climbed the ocean backwards and sat in the baby's pudding at sixty miles an hour." Lawson's wild misuse of language is to say the least unfortunate, if he is really seeking to convey clear and intelligible ideas.

So far as we can sift out Lawson's thought from the cloud of meaningless verbiage and half-baked efforts at political economy in which it is enveloped, it is this:

A cotton mill is worth $1,000,000 and issues that amount of stock. It can earn 5 per cent. on this $1,000,000. Then, by manipulation on the stock exchange, the price of the stock is doubled (or perhaps the company issues $2,000,000 stock worth $50 a share, and it is advanced to par, which amounts to the same thing.) To correspond with this new valuation, the mill is now compelled to earn 10 per cent. on the par value of its stock, which it does by increasing prices and reducing wages. All other industries do the same. Behold, here is the cause of the high cost of living.

Simple, isn't it? So simple that it is silly. The mill could not raise its prices unless it could sell its goods at the advance; and it could not sell the goods unless there was a demand for them. Even if we were to admit that a stock could be manipulated on the stock exchange to double its value and maintained there, this would not increase the demand for cotton cloth by one dollar and would not affect in the least the earning power of the company.

Lawson is simply beginning at the wrong end. A stock sells high because the company is earning good profits; there is no way on earth by which the company can be made to earn good profits simply because its stock sells high.

All this, of course, is obvious—to everybody except Lawson and Ridgway. For that reason the Lawson articles are likely to be for the most part ignored by intelligent persons.

It seems incredible that Lawson should credit the public with such a short memory as to have forgotten the "National Stock" episode of four years ago.

Bay State Gas, a discredited Delaware incorporation, had been kicking around the Boston curb for years at a trifling value. Lawson picked up a lot of it and then started a tremendous advertising campaign in leading newspapers. His statements were, in brief, that he was going to speculate on the stock exchange for the account of the Bay State Gas Company, which he renamed "National Stock"; the public was to buy the stock, thus furnishing the money; the enormous profits that he would roll up for the account of the company would cause its stock to bound upward in price; while the great fund of money thus accumulated would enable him to destroy "the System"—which is Lawsonese for the Standard Oil interests.

By this scheme Lawson sold a great quantity of Bay State Gas around $5 a share. Its price is now 20 cents on the Boston curb, and Lawson is busy explaining.

These latest articles are about what would be expected from Lawson. The mystery is how a supposedly reputable magazine was induced to publish them.

A Problem in Banking

An Interesting Question As to Loans and Deposits

SOME of the inquiries that reach this office are calculated to set a man thinking. In fact, there seem to be very few questions connected with finance and the stock market that do not occur to one or more of the readers of THE MAGAZINE OF WALL STREET. Here is one, for example, that has had a stimulating effect on our gray matter:

"Editor of THE MAGAZINE OF WALL STREET:

"I do not fully understand how national bank loans ever can reach the point where they exceed deposits. Take an example on a small scale. Suppose you start a bank. I deposit $1,000 cash with you. Under the law, you are now entitled to carry $4,000 of deposits, since the $1,000 cash will constitute a 25 per cent. reserve on that amount of deposits. You now loan me $3,000, passing that sum to my credit as a deposit. Your position then is:

Cash	$1,000	Loan	$3,000
My note	3,000		
Deposits	$4,000	Loans	$3,000

"I now check out $3,000; but this check must be soon deposited in some bank by the person to whom I send it. If it does not immediately land in a national bank, it must eventually do so in order to get around to you for payment; hence the deposits of all national banks will be the same as before.

"I can understand that the loans of all banks may exceed deposits while this check is 'in the air,' so to speak, but as soon as it lands in a national bank, the original condition will

be restored. The exact process by which loans rise above deposits is a mystery to—T. B. R."

At first glance the answer to this looks comparatively simple. A general explanation of the facts involved has been given several times in this magazine. For example, in "What Makes the Market?" vol. 7, p. 100, Mr. Selden wrote:

"This relation between deposits and loans is a very elastic one. The bank may loan, not only its deposits but also, if it desires, a part of its capital, surplus, undivided profits, and its issue of currency. Hence in a time of great activity, loans will forge ahead of deposits, and when the contraction comes, loans will fall faster than deposits."

This is a statement of facts as they occur, and is the explanation commonly given. But T. B. R. is not satisfied with this. He wants to know the "exact process"—he wants to see the wheels go 'round.

To state his question a little more definitely, it is, as we understand it:

Since every loan, from the organization of any bank down to date, must soon become a deposit, in that bank or in some other, how do the total loans of all banks ever get to exceed their total deposits?

There is a point here, if we mistake not, that is not to be disposed of by any general, off-hand statement. T. B. R. appears to be correct in his facts. He doesn't mention the bank's capital or surplus because they are not concerned in his question. His point is that every loan becomes a deposit—hence how can loans exceed deposits?

Let us get this clear: You go to a national bank and arrange for a loan of $10,000. You give your note for that sum. The note represents the loan on the bank's books. The $10,000 is at once passed to the credit of your account on your deposit book. It has become a deposit.

Of course you borrowed the money for a purpose; so you next check it out of the bank and use it to pay off some of your obligations. The $10,000 is now, as T. B. R. says, "in the air."

The persons who receive your checks may deposit them in trust companies, State banks, or private banking houses. Under some circumstances the recipient of a check might, for one reason or another, hold the check for a short time without depositing it anywhere. In all these cases the check would still be "in the air," so far as the national banks are concerned.

But as the national banks are the backbone of our banking system, the $10,000 in most cases soon arrives at a national bank again and becomes a deposit. If it doesn't get there before, it certainly does when the loan matures and is paid off, for then the $10,000 must go back to the national bank which originally made the loan.

It must be noted that checks "in the air," in the sense in which these words are used by T. B. R., do not correspond with "exchanges for clearinghouse," as given in the comptroller's reports of all national banks. In fact, "exchanges for clearing house" are reckoned as a part of "deposits." By checks "in the air" T. B. R. means sums of money temporarily lodged in trust companies, State banks, savings banks, private banks, or in the hands of individuals.

According to this line of reasoning, loans of all national banks could only exceed deposits to the extent that sums loaned by national banks were temporarily held by other banks (not national) or by individuals.

But this theory doesn't accord with the figures. For example, in January, 1906, the per cent. of loans to individual deposits, all national banks, was 100.6; in less than two years, December, 1907, this per cent. was 110.7; and in another two years it was down again to 101.3. Why should there be any such rapid variation in the time required for sums loaned by national banks to be redeposited in a national bank?

Moreover, back in 1893, this per cent. was up to 129.5, and dropped to 115 in about nine months.

Altogether it is a very pretty problem and well worthy of careful thought by banking men and students of finance. There are many such among our readers, and we shall be glad to receive and print their explanations of T. B. R.'s question.

This matter of the excess of loans over deposits has always been wrapped in a certain degree of mystery. Who will volunteer to explain it so clearly that all may understand?

The Steel and Iron Industry as a Barometer of Business

By SYDNEY ASHTON BONNAFFON

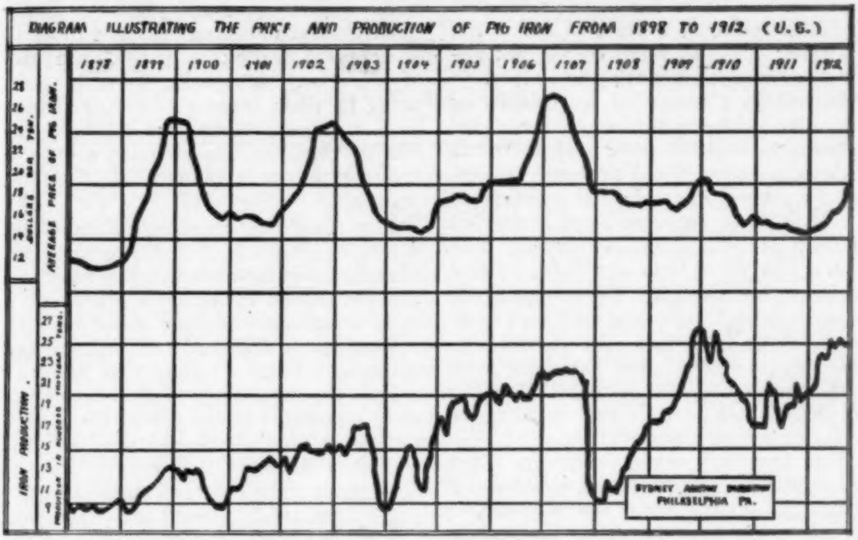
ALL the periods of industrial depression which have occured in the United States during the last half century have been characterized by a comparatively small volume of steel and iron business and generally low prices for the products thereof. Such a condition accompanying an industrial depression has not, however, been typical of this country alone, but of all the iron and steel producing nations of the world. In fact, it is an interesting and curious happening that industrial crises seem to have been most severe where the production of iron has been relatively the greatest.

Again, we find that in the reaction from business stagnation and quiescence the steel and iron industry appears to lead in the production of the so-called "industrial boom" or period of ultra-prosperity wherein business has a tendency to overreach itself, bringing about a condition of unsound inflation frequently productive of a severe panic. With several suggestions of this kind from past experience to work upon it would seem as if a careful study of the various visible changes characterizing the movement of iron production and consumption as well as the changes in the price level should give some practical idea of the true basic underlying condition of the steel and iron industry itself and at the same time suggest the probable future trend of business at large.

In the first place, it should be remembered that iron has for many years formed relatively the most important material required in the execution of all constructural undertakings. In every branch of industry and production the utility of this metal has surpassed that of all others. Without it and in the large quantities in which it is now produced the great works of today would be, so far as we know, impossible. Hence if we bear in mind the tremendous relative importance that iron and steel hold in our modern industrial development it is not hard for us to realize how intimately related all business must be to this one branch of industry. And having once been thoroughly impressed with such a point of view it is but a step to grasp the realization of what an important economic bearing the availability and price of this great necessity must have upon a country's industrial progress and prosperity. For this reason the remainder of my article will deal exclusively with the price of basic iron, the production and consumption thereof, and the economic interpretation of the changes in these factors.

There have been six great movements of iron prices during the past fourteen years. Three have been upward and three downward. All have been changes of over one hundred per cent. Each has in turn vividly portrayed the true existing condition of business and each has suggested the logical outcome to follow. The first of these great swings occurred in 1899. It followed three consecutive years of low prices, and reflected the beginning of a rapid increase of consumption over production. It showed that the point had been reached where the demand for iron surpassed the country's capacity to produce it. It disclosed the fact that there were contracts in existence, with the time of fulfilment the important consideration, requiring the immediate delivery of large quantities of iron—larger quantities, in fact, than there were in existence available for use or than could be produced in the specified time. Hence competitive buying by contractors to fulfil these time obligations occurred, with a violent skyrocketing of prices as the natural result.

The salient point to obtain from this picture is the fact that for the time being the entire industrial equilibrium is disturbed by this temporary unusual condition of the pig iron market. The duration of the abnormal price level



amounted (1899-1900) to approximately six months. And during this period new construction work of magnitude requiring large quantities of pig iron for immediate use practically ceased, explained naturally by the prohibitive prices prevailing. And now let us see with what result.

Under the stimulus of high prices the production of pig iron goes on by leaps and bounds until all contractors have satisfied their immediate needs. Then the competitive buying ceases as abruptly as it began, and with little new construction work going on the price of pig iron tumbles back again as rapidly as it had previously risen. Production not being able to immediately adjust itself to the sudden falling off in consumption, a surplus of stocks piles up which adds to the price demoralization of the already congested iron market. As the wages of labor and the prices of commodities in general increase greatly during the "boom" period the relative cost of production is very high and the profit at the existing price level small if not practically nil.

The next thing to occur is for production to be contracted as rapidly and vigorously as the laying off of men and the closing of furnaces will permit. The contraction here and there throwing out of employment thousands of men sets in motion an industrial reaction which gathers momentum as it goes on, spreads to all branches of the industrial field and finally plunges the whole country into a period of acute depression, a depression requiring many months and frequently years of business stagnation before the normal industrial equilibrium is again restored.

I have given a typical picture of what may be called a cycle of variation in the price of pig iron. I have shown the causes underlying this movement and portrayed the results and characteristics of each stage. The conditions as described occurred in 1899-1900 and were followed in the last half of the latter year by a period of acute depression. Toward the middle of 1902 consumption again crossed production. The prices of pig iron advanced wildly, remained around the high levels approximately eight months, and then collapsed. New construction work had been substantially checked and the depression which followed lasted over a year. During 1906-1907 the process was similarly repeated with a like result.

In detail this eight year period which is graphically portrayed on the accompanying chart contains some well defined characteristics which are worthy of comment. For example it will be noticed that the culmination of each up-

ward movement in the pig iron market has taken place at a price of $25 a ton or higher, and has followed a quick upward movement amounting to at least $8 a ton within a period of six months or less. No advance similar to the sharp movements in 1899, 1902 and 1906 has since occurred. The four years following the severe times of 1908 represented a slow halting recovery from the crisis of that period. There has at no time been a scarcity of iron, nor could general business conditions have been called depressed, rather were they only dull comparatively. Not until the recent revival of the current year has there been any necessity of questioning the ability of the country's productive capacity to meet the future demand.

The time has come, however, when the situation is becoming more and more acute. Orders of but a few months are already congesting the mills. Immediate delivery is steadily becoming more difficult to obtain. Prices have been rising rapidly and continuously. The great question is no longer—how to get orders—but how to get orders executed. Is a great rise in the price of pig iron to again occur? Are the plans for large constructural undertakings once more to be throttled in the making? Is the rush of a pent-up prosperity to stifle good times in their infancy? Is the deluge of a returning confidence to flood the country with its own abundance only to drown it in the fulfilment of its fondest desires?

These are the questions of pertinent importance to ask at the present time. These are the questions which if answered will unfold the industrial story of 1913. Will repetitional history prove faithful to its customs this time? If it does, and indications point strongly that way, we are now in the early stages of an upward movement in the price of iron such as has not been witnessed since 1907, and while the culmination is hardly likely to be reached until six or seven dollars per ton have been added to the existing level and the duration of the rise has covered a period of approximately six months or less, yet the situation is a critical one and may at any time be productive of developments serious in import to our industrial and financial future.

The Psychology of the Stock Market

MR. SELDEN'S book, under the above title, which first appeared as a series of articles in this magazine, has attracted much favorable attention. Readers in general seem to recognize the fact that it contains a vast fund of stock market experience and observation condensed into brief space and brought home to the student in such a way as to be of practical value.

Newspaper and periodical comment on the book has been more extended than would naturally be expected, in view of the comparatively small class of general readers to whom financial books appeal.

The *Sun* thinks that "everyone interested in the stock market will enjoy these bright essays," but expresses the opinion that "like all good advice, we doubt whether it is likely to be followed in actual practice." Doubtless this will be true to some extent, yet from the letters we receive we judge that most readers get practical benefit from a thoughtful reading of the book.

The *Times* comments on the value of the book in interpreting "changes in the public mind, not due to alteration in basic factors."

The Boston *Herald* reprinted selections from the book on its editorial page. The St. Louis *Post-Dispatch* thinks it is a "refreshing preachment" and speaks of its "scientific value." *Moody's Magazine* mentions Mr. Selden's "long experience and unusual skill" in explaining the intricacies of the stock market, and considers the practical conclusions drawn to be "of benefit to all interested in security markets." *Investments, The Financial Age, Publisher's Weekly,* and many other publications comment in similar terms.

We have received a number of inquiries as to any other books written by Mr. Selden. His best work is to be found in the back numbers of this magazine, of which he has been associate editor since 1909. "Investing for Profit," a series now running, will be republished in book form. "What Makes the Market?" appearing during 1910-1911, attracted much attention. Mr. Selden was on the editorial board of the Census of 1900, and is an expert statistician. He is also the author of various magazine articles in other publications, has been lecturer at the Finance Forum, etc.

The Stock Market Cycle

By JAMES H. BROOKMIRE

A CYCLE of trade embraces all the oscillations in business conditions from the time a period of prosperity is initiated until a succeeding period of depression is ended.

The periodicity of crises and depressions has for a long time been very generally recognized. By most economists these trade cycles are assigned a duration of from ten to twelve years. According to Mr. John Mills, the course of a *Trade Cycle* is as follows: After each panic or crisis, the first three years will witness diminished trade, lack of employment, falling prices, a lowering of interest, and a very considerable distress. Then will follow three years of active trade, slowly rising prices, fair employment, and improving credit. Then will come three years of unduly excited trade, in which speculation will be rife, prices will rise rapidly, and an unusual number of new enterprises will be begun. The tenth year will be one of crisis, followed by a period of depression.

These three successive stages or seasons between each panic period, each of three years duration, are styled by Mr. Mills as the *Post Panic Period, the Middle or Revival Period,* and the *Speculative Period,* respectively.

In spite of ridicule, and somewhat unsatisfactory explanations, the fact remains that in progressive countries the existence of a tendency to periodicity of crises, with the regular recurrence of a series of events as just described, is as well established as any tendency in the history of industry and trade.

And since the prices of securities reflect at all times the condition of trade activity, as shown by earnings, if it be true that there are well defined cycles of trade, there should also exist equally distinct *Cycles of the Stock Market.*

If we attempt to analyze the stock market, pursuing the theory of cycles, there will be found, from a chart exhibiting the prices paid from day to day on the New York Stock Exchange for standard securities since 1885, a series of remarkable fluctuations or swings up and down, which are characterized by almost identical tendencies at regular intervals.

Of these major swings, or *Market Cycles,* eight, including the one now in progress, have occurred since 1885, and each of them has been characterized by four similar minor movements or tendencies, to wit: (1) an *Upward Movement,* (2) a *High Level,* (3) a *Decline* and (4) a *Low Level.*

It would be a fatal mistake to fix a definite duration for the successive events of the cycle, or to fail to sufficiently recognize exceptional conditions of time, place, and social or economic development.

Much depends upon the degree and rapidity of industrial advancement and expansion of credit, the maintenance of social order, the presence or absence of sudden changes in fiscal policy, physical conditions such as failure or abundance of crops, and upon the occurrence of business failures or other events which precipitate a crisis.

Marked recovery or expansion in trade after a period of depression, is always preceded by a rise in security prices, but never occurs except as a result of the combined influence of a favorable condition in *Crops, Money* and *Politics,* while, regardless of other factors, *Over-Expansion of Credits* and *Political Uncertainty,* occurring singly or simultaneously, have been the direct cause of practically all stock market panics and trade reactions.

These latter two factors are also largely responsible for determining what heretofore has been a four year limit to the *Stock Market Cycle.* For the approach of a presidential election every four years has always inspired a feeling of caution, and even in such a period as 1899-1900, when other conditions all justified some further expansion of trade and rise in the prices of stocks, the un-

certainty in politics caused a reaction in both business and the prices of securities. On the other hand, when all fundamental conditions are favorable to business expansion, the development is so rapid, owing to the abundant natural resources of the country and the great energy of the American people in developing them, that within three years from the beginning of a period of prosperity there generally exists a state of *over-expansion of credits* that makes liquidation of securities necessary.

Each of the *Four Periods* of the *Market Cycle* has its distinct characteristics, and the degree of success in speculation depends entirely upon one's ability to recognize the changes in the character of fundamental conditions, in order to fix the period of the cycle. This successfully done, trading, of course with ample margins to take care of ordinary fluctuations or accidental developments, becomes a comparatively easy proposition.

There are times when through political uncertainty there are so many cross currents that the result is not clearly indicated.

In the fall of 1909 just such a situation developed and continued well into the year 1911. Under such conditions of uncertainty, it is a desirable thing to let stocks alone, and not to try to make money; for it is only a question of time when conditions will adjust themselves favorably, and then there is no question whatever as to the successful outcome of speculation for the rise. Instances of such a situation can be found in the summers of 1900, 1904 and 1908. It was also clearly indicated by conditions that we were facing a period of drastic liquidation in stocks in the fall of 1902 and 1906. These are the times one can act with confidence. The greatest fault with speculators is that they do not have the patience to wait for favorable opportunities, but through an uncontrollable desire to make money by forcing things, pursue a course which is more than likely to result in disaster.

In order to better understand just where we are in the present cycle, let us go back and study the events leading up to the present time.

The stock market cycles which had their beginning in 1900 and 1904 are the most perfect examples of the periodicity theory we can find, the period 1904 to 1908 being almost identical with the previous one beginning in 1900, only in an exaggerated degree.

In the summer of 1908 after the nomination of Mr. Taft, the three prime factors of crops, money and politics seemed unusually favorable, and it was perfectly safe to assume that we were entering upon the first period of a new cycle of rising prices and trade expansion.

The cycle progressed in a normal way, beginning by an advance in the average price of twenty rails (*Wall Street Journal* figures) from 100 in May to 134 in August, 1909.

Owing to political uncertainty, consisting largely in trust prosecutions and the attitude of the Commerce Commission toward the railroads, this favorable situation was turned from its natural course, and the second period, that of a high level, instead of continuing through 1910 and into 1911, was brought to a sudden check in the fall of 1909 and was followed in January, 1910, by the beginning of the third period, that of liquidation in securities. This liquidation was quite different from that of 1903 and 1907, in that it was voluntary, for liquidation in the other two years was *compulsory*, owing to the over-extension of banking credit. Consequently prices were only allowed to recede to a level at which they were considered safe, one result being to ease banking conditions, so that 1911 was a year of very abundant reserves and low interest rates, while had nothing interfered with trade expansion, 1911 might, and most assuredly would, have seen over-extension of credits followed by drastic liquidation.

The year 1911, therefore, may be considered the fourth, or low level period, of the stock market cycle which began in 1908, although for the above mentioned reasons the level was not as low as in 1903 and 1907. Moreover, the second and third periods, those of a high level and decline respectively, were unusually short owing to the fact that political uncertainty curtailed the former (in January, 1910) and the decline was not drastic, ending in August, 1910. After that time business went through an unusually long period of readjustment,

which did not end until the summer of 1912, and during all this time the stock market fluctuated within comparatively narrow limits, being easily subject to manipulation in response to the varying changes in the forces affecting it.

The all important questions now are, *When did we start on a new stock market cycle?* In what period are we at present? And what is likely to be the future trend of prices?

There is little room for doubt that the present cycle had its beginning in the past summer and that we are approaching the end of the *First Period.*

It must be realized and constantly born in mind that the present stock market cycle had its beginning under unusual conditions and therefore promises to be abnormal in many particulars. For instance, in contrast with the price levels at the beginning of the two previous cycles, namely, about 97 for twenty rails and 50 for twelve industrials (as was the case in 1904), we started this time from a level of 118 for rails and 88 for industrials.

In place of surplus reserves of about $55,000,000 in 1904, we had hardly $15,000,000 in 1912. The same unfavorable comparison appears in considering interest rates, commodity prices, domestic politics and foreign conditions.

From such a start it would be unreasonable to think that we have in prospect an advance in security prices corresponding to that enjoyed in the first and second periods of the two preceding cycles.

The situation most nearly analogous to the present is found in the year 1905, which was already in the period of high levels, with prosperity well under way. Nevertheless the stock market scored a considerable advance during 1905 and maintained a high price level for the entire year of 1906, this being one of the most remarkable bull movements in market history, for in December, 1905, call money reached 125 per cent., yet a high level of prices was maintained for a year thereafter.

The second period, that of a *High Level of Prices,* which we are now approaching, will continue until we reach the point where the combined influences of credits and politics are such that they will overcome all the favorable factors.

This period of high prices is seldom free from breaks of serious proportions, however, as at a high level, prices are susceptible to adverse influences. But on the other hand, one of the chief characteristics of the period is the *Power of Recovery.*

Our political outlook is uncertain and holds out promises of many developments which will have an adverse influence on prices, although the foreign situation has the greatest possibilities in this direction at present (November 9). The summer of 1911 shows what effect heavy liquidation by Europe can have upon our market, and this under very favorable money conditions.

With the three principal markets in Europe, namely, London, Paris, and Berlin, all at the tail-end of an over-speculation in securities, and with the peace of Europe threatened, the possibility of foreign liquidation is a constant menace to our market, and until this is changed it cannot be expected that prices will rise to a level justified by our own economic position.

The bulwark of strength in our present situation is to be found in the fact that business conditions are in a most wholesome state.

After over two years of a hand-to-mouth policy we find no surplus merchandise of any kind, and over-speculation of any sort has been entirely lacking. On top of this comes the harvesting of the largest and most valuable crops in the history of the country, with a foreign demand sufficient to insure a market for any surplus we may have to dispose of. This is just the right combination to give business a healthy stimulus, and this has already been and will continue to be reflected in the prices of securities, insuring a fairly high level of, if not advancing, prices.

How long the second period of the present cycle will continue will depend, first, upon the prospects and realization of the crops in 1913; and, second, upon how wisely the very important problems which now confront the nation—tariff and monetary legislation, and the trust question—are handled by Mr. Wilson and the new administration.

The readjusting of a tariff schedule without bringing about a substantial check to business is not an easy task, but Mr. Wilson is certainly familiar with the unpleasant consequences resulting in previous cases and he assures the business world that "his purpose is now to bring all the free forces of the nation into active and intelligent cooperation, and to give our prosperity a freshness and spirit and a confidence such as it has not had in our time." If the hopes of Mr. Wilson are justified in the acts of Congress next year, and with the qualifications of a continuation of good crops and no serious difficulties in Europe, we should look forward to a continuation of the second period of the market cycle, with a high price level and good business through 1913 and well into 1914. It is hardly likely that under existing conditions we will develop anything like an unhealthy boom in trade or speculation in securities which would result in an over-extension of credits, but over-extended credits, and tariff, trust, and monetary legislation are the chief obstacles to a prolonged second period.

Attorney General Wickersham on the Dissolution of American Tobacco and Standard Oil Companies

THE first tangible result of these dissolution suits is the fact that no new combinations have been formed during the last four years. The prices of raw materials have been distinctly affected by the dissolution, and both tobacco leaf and crude oil sell at much higher prices since the unification of substantially all the buyers has been removed than those which previously prevailed.

There has been some advance in the price of a few products of petroleum, such as gasoline, due to the enormous increase in demand for the refined article and the increase in the price of crude oil. There has been no increase in the price of tobacco products, but there is an enormously increased competition in pushing the sale of different brands of tobacco by means of extensive advertising.

Yet a permanent solution of the question demands a consideration by the National Government of the organization and powers of the corporations which are to engage in inter-State commerce.

It is hardly to be expected that a Democratic Congress will enact a National incorporation law, but it may pass such a bill as that which was prepared by Mr. Robert R. Reed and introduced in the last Congress by Senator John Sharp Williams, requiring every State corporation as a condition to engaging in inter-State commerce to conform its organization to certain requirements. This would secure additional safeguards against unfair competition and monopolistic growth, and if carefully framed, would go far toward the solution of the vexed problem of squaring reasonable business requirements with sound governmental policy.

This is preferable to what I consider the last resort—control by a commission. It may be necessary to resort to that, but I hope it won't be for a long time.

I do believe that we have succeeded in accomplishing some real things. I do believe that the Sherman law is a great instrument for the protection of the American people. I should be sorry to see that statute impaired or its effect diminished. If the Department of Justice maintains supervision over these great companies which have been affected by the decrees, I believe it will be shown that they are of lasting benefit and that we have thrown off an incubus which threatened to strangle the economic life of the American people.—*Speech at Finance Forum.*

BOND DEPARTMENT

What an Investor Ought to Know

IX—The Make-Up and Significance of the Income Account

By FREDERICK LOWNHAUPT

[Under the above caption it is intended to present a series of articles treating many of the fundamental facts that are either never learned by many investors or apparently overlooked in the purchase of investments. Discriminating selection is no easy matter. Without a knowledge of the basic principles underlying the science of investment rational selection is impossible. The aim of these articles will be to give many facts in readable form—facts which in themselves are technical, but which, co-ordinated, explained and placed in proper relation to each other, are both interesting and easily understood. The subject discussed in the November issue was "The General Structure of a Corporation's Annual Statement."

IN the previous chapter it was explained that the general structure of a corporation report called for a separate presentation of the results of operation for the period under consideration, usually a year, in the form of an Income Account.

From the title of the account it would appear obvious that it intends to show the income of the company over the period mentioned. It should be understood by the layman, however, that income in this sense does not always mean cash money actually taken into the treasury of the concern. Just to clear away a misapprehension of quite a few investors who labor under the impression that when a company income account shows an amount of so many dollars as the gross income, it indicates that that amount of money was actually received, it may be said that this is true in a bookkeeping sense only. It does not mean that this income is in the form of cash.

Every corporation, especially an industrial concern, always has more or less notes given by buyers of its product, these notes being known as Bills Receivable. Their amount would appear in the gross income, but, of course, the company would not get the actual cash until various later dates. If these bills are thoroughly good, a considerable part of them is almost equal to cash, because cash could be realized on them if necessary.

The near approach to a strictly cash basis is to be found in the railroad business. The railroads get cash almost entirely for their services, so that their income accounts come ideally near to being what might be said to be a cash account.

Now it will be interesting to the average investor to know just how the income account of a railroad is made up. In the first place, there is a division made in the account between what is called revenue and what is considered as income. Practically they amount to the same thing, for income is the broad term that includes everything. But for the purposes of distinction between items the Interstate Commission has called certain incoming receipts revenue and others income. The revenue is the receipts from operations of the road. The income is the receipts from passive operations of

the road. That is to say, the revenue comes from running the trains and from outside operations, as they are called, such as station restaurants and the like.

We therefore see that even revenue is divided for convenience into a number of items so that it is possible to know just what each operation of the road is returning to the treasury. It is easy to see that freight revenue is a single item, while passenger train revenue is the result of carrying people, mail and express matter and various other things. Each one of these is, of course, set forth. The average investor may not pay much attention to these various items, but the careful investor does. He takes a good look at them all to see just what proportion each one produces of the total receipts of the road. The income which we have said is receipts from passive operations of the road, is generally derived from dividends and interest on securities owned, from money loaned, from rentals to others, and from hiring out equipment.

It will be seen, therefore, that the actual items on the side of receipts are divided into two general groups and these in turn are made up of about eight other subsidiary items.

There is, of course, another side to the income account. On this side, which is that of expenditures, there is quite as much opportunity for study as on that of the receipts. A critical study of the receipts gives a fair idea of how the railroad fares in the matter of its resources, while the same study of the expenditures reveals how well the road is managed and what the physical condition of the property is.

There are many items that enter into the expenditures. In a general way there are five large items that enter into what is known as the expense of the road. The total of these five items, however, is not the only deduction from the Income Account. The five large items, which are largely self explanatory, are the costs of maintaining the way and structures, the equipment, a comparatively small item which is called traffic expense (which means expense of getting freight traffic), the conduct of transportation, which means the pay of the men who operate the trains, yards, stations, etc., and finally the general expenses, which includes the cost of running the offices, the pay of the officers, insurance, etc.

The crux of the railroad question is in the proper relationship between all these items and their combined relationship to the receipts of the road. There may be a comparison made between the total receipts of the road and the total expenditures of operation, which are those just enumerated, with interesting results. The better ratio on which one may judge the efficiency of the operation of the road is to be obtained by putting the operating expenses against the operating receipts. It would be possible for a road to be getting handsome returns from other sources than operations, say from securities owned, while operating efficiency might be going down. Yet the ratio of total expenses to total receipts would be fair.

Now after all these expenses are set off against all the receipts we get what is called Net Operating Revenue. There is still one item, a very important item indeed, that we have seemingly overlooked. That is the matter of taxes. This is really one of the expense items, but for obvious reasons it is shown in this distinct fashion. Now we must take from the Net Operating Revenue this item of taxes and the remainder is called Net Operating Income.

We now have an item similar in name to the item known as Other Income, already explained. It is the combination of these two that gives us another figure which might be considered as the final result of operations. That is, it is the Total Net Income from all sources.

This item of Total Net Income from all sources is the one which gets perhaps as critical a scrutiny as any other item in the entire tabulation. For it is against this item we have to place the item known as Charges, which means largely the interest on funded debt. It will be readily appreciated that this item of charges is rather rigid. Charges, of course, include some other outlays which are variable, as they are made up of both fixed and current charges, the former being the interest on funded debt, certain rentals, sinking funds, etc., the current charges being the money paid out for the hire of equipment from other roads.

Now the Income Account has been

brought down to the surplus that is the final profits of the year's work. It is against this surplus that dividends are paid and it is out of this that improvements, additions and betterments that cannot be said to be a part of maintenance are made. Then after all these deductions are made from surplus the remainder, being the final surplus, goes into the Profit and Loss account. But this is a bookkeeping matter and does not concern us in the study of the Income Account.

A working familiarity may be had with the railroad income account within a comparatively short time. It requires but a little study to grasp its details. The fundamentals such as outlined may be learned readily by the investor of average education. They ought to be learned, along with the proper ratios between various items and proper comparisons to be made, if one is to follow the trend of the business of the railroads of the country generally or of any one particular system.

The simplicity of the income account of the railroad company should be found in the income account of the industrial corporation. But it is not. For one reason or another the accountants making up industrial reports choose to boil down the income statement to the last possible degree. As a matter of fact, in many reports the direct statement of the result of operations in the form of an income account is avoided entirely and the item of net profits is jumped right into the Profit and Loss Account, from which account certain deductions are made, leaving what is called a final Profit and Loss surplus and that item being the amount which is shown as surplus in the Balance Sheet.

There are so many variations in the way industrial and miscellaneous corporations seek to avoid giving clean-cut and illuminating income account that a fuller discussion of them will be taken up in the next issue. The railroad income account when laid out as above described is the very acme of simplicity. The majority of industrial income presentations are notable for what they leave untold.

(*To be continued.*)

Bond Market Topics

Politics and the Security Markets.

Ante-election indications were there would be no upheaval in the security markets in the immediate future. Post election conditions showed that such a quietude as existed until November 5 was nothing less than the precursor of a storm, for immediately after election the stock market broke loose and away went prices. The decline and the feverish markets cannot of course be attributed entirely to the political conditions here—there was a definite influence exerted by the news from abroad. It is commonly believed that the stock market is one thing and the bond market is another, almost apart from the former. This is a mistake. Few people realize the sentimental effect that a crashing stock market has upon bond buying. Not only does a very bad stock market tear down bond prices somewhat—that is, the prices of bonds traded in on the board—but it spreads its evil influence over a great number of the bond buying public. A long decline in the stock market is a most discouraging factor. There are many people who buy bonds who also have moderate stock commitments. It is easy to understand why these people should be affected. There is still another class that keeps in touch with the movements of the financial markets without holding stocks. This class regards the stock market as a barometer. Falling prices create a marked influence on this class. Instinctively almost their purse strings are closed against purchases of any kind until the stock market rights itself again and there are indications that conditions are becoming better. The bond men during a bad stock market are between the upper and nether millstone. They are in a position to benefit from the fright that drives people from stocks into bonds and yet they find people unwilling to part with their money.

Higher Money and Bond Buying.

The prediction has been made that before the end of the year the markets will see 25 per cent. call money. Of itself that is no indication that the monetary situation is

really bad for there are very short periods every once in a while when some abnormal demand upon the banks creates what might be termed a "peak load" of demand so that the indicator registers high. The bond men who believe that there will be very much higher prices for money shortly are wondering whether it will have a marked effect on security buying. Fluctuations in the money market do not immediately work out their effects in the bond buying by individual investors. It is in the operations of institutions that the money market changes work out their earlier effects. In periods of easy money the institutions are among the first to pick up bonds—the income from these bonds is better than money market returns. In periods of tight money the institutions are among the first to throw over bonds, for money is better than securities then. If the predictions of very high money rates shortly should be fulfilled there ought to be some bargains in very high grade bonds for none of these securities can possibly show such returns as institutions can get for a while in the open money market. The alert and wide-awake bond trader is expecting to meet some very favorable opportunities under these conditions.

New York State's Big Bond Issue.

Bond men were interested early this month in the vote on the new bond issue of $50,000,000 for the State of New York. The latest returns show that the question was answered in the affirmative by the voters. Fifty millions of bonds is always a great issue and creates some cross currents in the security markets if the entire amount is offered at one time. The market for New York State bonds has for some time been an institutional market inasmuch as these State bonds may be used in various ways to exempt institutions within the State from some taxation. If fifty millions of new State bonds were put upon the market at any one time there would be a rather poor market in this security for some time. As it is, however, this large amount would not be brought out at one time. The bonds will probably be issued as the work for which they are intended progresses. Of course, it is intended to conduct the work in various parts of the State, but withal there is no likelihood that the full $50,000,000 bonds will be issued in the near future. If such a problem stood before the bond market it would awaken feelings among the bond fraternity similar to those of the syndicate that took practically the whole of one of the State issues that came out within the past three years and which was held for months and months before the last bond was finally sold. Bond men discussed the new State issue, but with no apprehension of its effect.

Short Term Notes—Is Their Season Over?

Bond men want to know if the fashion of short term notes has passed for a time. For banking houses the issue and reissue of these securities is the source of profitable operations. Bond men who work among individual investors have mixed feelings about this type of security. Vast blocks of these securities are sold directly to institutions on a narrow margin of profits. If institutions insist upon the yield that short term notes give this doubtless will creat a market condition chronic in character. The result will be notes and more of them. If the larger public can be weaned or driven away from the high yield of preferred stocks and be brought back to lower yield bonds the chances favor the bond market as against the note revival. The question that runs in the minds of many bond men is whether the fashion of short term notes with their early maturity and attractive yield has not become set so firmly that more than a normal amount of this class of security among the general output will be the rule hereafter.

Refunding of Securities.

Just now, as in every year, one of the paramount questions of the financial markets is in regard to the method and amount of refunding that is to take place over the following months. It is a matter of especial interest to both the corporations who have to keep an eye open for any advantages to be derived from conditions from time to time and also to the bankers whose concern is to diagnose the investment market correctly so that new securities suitable to the demand may be issued. A rough estimate of the maturities to be provided for in 1913 comes close to $300,000,000. A considerable part of this consists of short term notes put out in 1909 and 1910. Many of these corporations are now scanning the horizon for the faintest sign of a good bond market wherein they may get away from the expensive short term financing with its high cost both in interest and banking commissions.

Hints for Investors

INSIST upon a recent income statement of any concern whose securities you are offered. Don't be satisfied with one nearly a year old. The house offering the securities usually has the late figures. The investor has a right to them.

Don't buy heavily into the securities of a small railroad dependent upon some natural resource which is likely to be exhausted in a few years. Some glaring examples of long-term bonds of this character are now worrying their holders.

If you hold a wide list of securities send the list to your banker once a year asking for suggestions as to which should be eliminated, which should be held and which might be exchanged for other securities to advantage.

Do not always buy the full quantity of securities you desire the moment they are offered. Wait a while for the balance of your requirements. You may got it cheaper. Instances are numerous over the last few months of bonds being purchasable considerably lower than prices at which they were first offered after a few weeks' time.

Write your banker every six months for a brief resumé of conditions in the properties of whose securities you are a holder. He should be in touch with their affairs and if so should give you this information.

Keep a small envelope for newspaper clippings on the properties in which you are interested. There are many small items appearing which are easily forgotten. An informal file like this is an excellent thing to refresh one's memory.

The Tariff and the Bond Market

NOW that President-elect Wilson has announced his determination to call an extra session of Congress to revise the tariff, investors are beginning to ask what effect this will be likely to have on the bond market.

Will it increase the depression that now exists in the prices of high-grade bonds, or will it result in a diversion of funds from the stocks of companies which may suffer from tariff reduction, a part of such funds finding its way into the highest grade bonds on which interest requirements are so strongly intrenched as to be beyond the reach of any possible tariff influences?

The depression in high-grade bonds is of course due to rising rates of interest, which in turn result from the great demand for capital all over the world. If the reduction in the tariff does not check business activity, then the tariff situation would have no special bearing on the bond market, which would continue to be responsive to other influences.

If, however, the imminence of tariff changes should cause a slowing down of business, this would naturally release a considerable quantity of funds which are now employed in general business; and if lower prices for stocks should also result, a further supply of funds would be available because of the smaller amount of money required to carry the stocks at lower prices.

In this event it would seem that the bond market might benefit. Since the price of the highest grade bonds depends almost entirely on the money market, any pronounced easing of the demand for capital would help the prices of such bonds. And this release of capital might come from a lessening of business activity through prospective tariff changes.

Idle money, from whatever cause, does not remain idle very long. If not required by business men direct, it flows into the security markets. And if investors hesitate to buy stocks because of doubtful business conditions, they soon turn to that class of bonds on which the interest return, though relatively small, is absolutely secure.

It has been so long since high-grade bonds showed any real signs of life that bond houses are scanning the horizon rather eagerly for the dawn of a better demand. The old saying is that "there is no great loss without some small gain." If tariff changes should disturb business, the bond market might get a part of the money thus released.

The Bond Buyer's Guide

IN the following table are arranged in order of yield the principal active issues of bonds listed on the New York Stock Exchange, the income being figured at the latest available selling price for lots of 20 bonds or more. They are divided into groups, according to the grade and character of the bonds.

This table will appear monthly, and will prove invaluable to bond buyers, as well as to brokers and to all others who are called upon to select or recommend investments. It is presented for purposes of comparison only, and mention of a bond issue is not to be construed as a recommendation. Our object is merely to show the relative yield of different bonds of each of the several classes.

(1) High Grade mortgage bonds, many of which are legal investments for New York State Savings Banks.

Description.	Due.		Interest Period.	Price. Nov. 15.	Yield.
Chic., Rock Is. & Pa., ref. g. 4s	Ap.,	1934	A.—O.	87¼	4.97
U. P., Ore. Short L., guar. ref. 4s	D..	1929	J.—D.	91⅝	4.72
B. & O., P. L. E. & W. Va. Sys. ref. 4s	N.,	1941	M.—N.	89¼	4.68
Erie 1st con. g. 4s. prior	Ja.,	1996	J.—J.	86¼	4.66
Wisc. Cent., Sup. & Dul. Div. & Term, 1st 4s.	My.,	1936	M.—N.	90⅝	4.65
Det. Riv. Tun., Det. Ter. Tun., 4½s	My.,	1961	M.—N.	98	4.60
Atch., Top. & S. Fe, adj. g. 4s	Jl.,	1995	Nov.	87¾	4.57
Kansas City So. 1st. g. 3½s	Ap.,	1950	A.—O.	72	4.56
B. & O. Southw. Div., 1st g. 3½s	Jl.,	1925	J.—J.	89¾	4.55
Ches. & Ohio, gen. g. 4½s	Mh.,	1992	M.—S.	99½	4.52
Central of Ga., cons. g. 5s	N.,	1945	M.—N.	109	4.48
Wisc. Central, 50-yr. 1st gen. 4s	Jl.,	1949	J.—J.	92	4.44
L. & N., Atl. Knox & Cin. Div. 4s	My.,	1955	M.—N.	91⅝	4.44
U. P. Ore. Ry. & Nav. con. g. 4s	Je.,	1946	J.—D.	93⅛	4.41
Chic. & N. W., Mil. Spar & N. W., 1st gu. 4s.	Mh.,	1947	M.—S.	93¼	4.38
Ches. & Ohio, 1st cons. g. 5s	My.,	1939	M.—N.	110	4.37
Chic., Mil. & Puget Sd., 1st. gu. 4s	Ja.,	1949	J.—J.	93½	4.36
Balt. & Ohio prior 3½s	Jl.,	1925	J.—J.	91¾	4.34
Sou. Pac. R. R. 1st ref. 4s	Ja.,	1955	J.—J.	94	4.31
Atl. Coast Line, 1st g. 4s	Je.,	1952	M.—S.	95⅛	4.26
Illinois Cen. 1st. ref 4s	N.,	1955	M.—N.	95	4.25
Northern Pac. gen. lien g. 3s	Ja.,	2047	Qu.—F.	69	4.25
Chic. B. & Q., gen. 4s	Mh.,	1958	M.—S.	94⅞	4.24
Gt. Northern 1st ref. 4¼s. Ser. A	Jl.,	1961	J.—J.	100¼	4.24
Kansas City Term'l 1st 4s	Ja.,	1960	J.—J.	96¼	4.18
Louisville & Nashville, uni. g. 4s	Jl.,	1940	J.—J.	97¼	4.17
Del. & Hudson, 1st & ref. 4s	My.,	1943	M.—N.	97¼	4.16
Reading Co., gen. g. 4s	Ja.,	1997	J.—J.	96½	4.15
Balt. & Ohio, g. 4s	Jl.,	1948	A.—O.	97⅜	4.14
Chic. & N. West., gen. 4s	N.,	1987	M.—N.	97⅛	4.13
C. B. & Q., Ill., Div. 4s	Jl.,	1949	J.—J.	97⅝	4.13

Norfolk & West. Ry., 1st cons. g. 4s	O.,	1996	A.—O.	97½	4.11
Atch., Top. & S. Fe, gen. g. 4s	O.,	1995	A.—O.	97⅝	4.10
Chic. Mil. & St. P., gen. g. 4s, Ser. A	My.,	1989	J.—J.	98	4.09
Northern Pac. prior l. g. 4s	Ja.,	1997	Qu.—J.	98¼	4.07
N. Y. Cen. & H. R. g. 3½s	Jl.,	1997	J.—J.	86⅝	4.06
Un. Pac., 1st R. R. & land gr. 4s	Jl.,	1947	J.—J.	99⅝	4.02

(2) Collateral trust bonds selling at prices relative to the great value of the underlying collateral.

Chic., R. I. & Pac. R. R. 4s	N.,	2002	M.—N.	67¾	5.86
So. Pac. Co., g. 4s (Cent. Pac. coll.)	Ag.,	1949	J.—D.	83⅜	4.99
Gt. Nor., C. B. & Q. coll. tr. 4s	Jl.,	1921	J.—J.	95½	4.62
Lake Shore, coll. g. 3½s	F.,	1998	F.—A.	78¾	4.47
Atlantic Coast Line, L. & N., coll. g. 4s	O.,	1952	M.—N.	92⅜	4.41
Sou. Pac. Co., Cent. Pac. 1st ref. gu. g. 4s	Ag.,	1949	F.—A.	94⅞	4.28

(3) Convertible bonds having no mortgage lien whose quotations are governed largely by the price changes of the stock into which they are convertible.

Erie, 50-yr. conv. 4s Ser. B	Ap.,	1953	A.—O.	78	5.33
Ches. & Ohio, conv. 4½s	F.,	1930	F.—A.	92¾	5.13
Pennsylvania R. R. conv. g. 3½s	Je.,	1915	J.—D.	96	4.95
Erie, 50-yr. conv. 4s Ser. A	Ap.,	1953	A.—O.	84⅞	4.85
Del. & Hud., 10-yr. conv. deb. 4s	Je.,	1916	J.—D.	97⅝	4.66
Sou. Pac. Co., 20-yr. conv. 4s	Je.,	1929	M.—S.	93⅝	4.54
Atch., Top. & S. Fe., conv. 4s (issue 1910)	Je.,	1960	J.—D.	105¼	3.76
Union Pacific, 20-yr. conv. 4s	Jl.,	1927	J.—J.	103	3.74
Atch., Top. & S. Fe, 10-yr. conv. g. 5s	Je.,	1917	J.—D.	107	3.46
Norf. & West. Ry., 10-25-yr. com. 4s	Je.,	1932	J.—D.	116	2.94

(4) Debenture bonds most all of which are selling on high level because of the good general credit of the respective companies.

Chic., R. I. & Pac., 25-yr. deb. 5s	Jl.,	1932	J.—J.	91½	5.71
Chic., St. P., M. & O. deb. 5s	Mh.,	1930	M.—S.	102½	4.79
Chic., Mil. & St. P. 25-yr. deb. 4s	Jl.,	1934	J.—J.	90	4.74
Lake Shore, deb. g. 4s	S.,	1931	M.—S.	92¾	4.65
Lake Shore, 25-yr. g. 4s	My.,	1928	M.—N.	92½	4.60
N. Y. Cen. & H. R. deb. g. 4s	My.,	1934	M.—N.	92	4.58

(5) Semi-investment bonds, many of which are general mortgages, often classified as "business man's" investments. Income yield is reasonably definite index of relative worth.

St. L. & S. F. R. R., gen. 15-20-yr. 5s	My.,	1927	M.—N.	83¾	6.60
Seaboard Air Line, adj. 5s	O.,	1949	F.—A.	76	6.46
Wabash, 1st ref. & ext. g. 4s	Jl.,	1956	J.—J.	66½	6.11
Can. So., 1st ext. 6s	Ja.,	1913	J.—J.	100	6.00
Denver & Rio. Gr., 1st & ref. 5s	Ag.,	1955	F.—A.	83½	6.00
Mo., Pac., 1st & ref. conv. 5s	S.,	1959	M.—S.	87¾	5.74
Chic. & Alton Ry. 1st lien 3½s	Jl.,	1950	J.—J.	65⅜	5.74
St. L. Ir. M. & S. uni. & ref. g. 4s	Jl.,	1929	J.—J.	81½	5.71
St. L. S. W. cons. g. 4s	Je.,	1932	J.—D.	81	5.59
Mo., Kans. & Tex. gen. sink. fund 4½	Ja.,	1936	J.—J.	86	5.57
St. L. & S. F. R. R. ref. g. 4s	Jl.,	1951	J.—J.	76¾	5.44
Southern, devel. & gen. 4s, Ser. A	Ap.,	1956	A.—O.	78⅛	5.29
Erie, 1st cons. gen. lien g. 4s	Ja.,	1996	J.—J.	76½	5.25
Chic. Gt. Western 1st 4s	S.,	1959	M.—S.	79	5.20
Missouri Pac. 1st cons. g. 6s	N.,	1920	M.—N.	106	5.08
Colorado & Sou. ref. & ext. 4½s	My.,	1935	M.—N.	94½	4.91
West. Maryland, 1st g. 4s	O.,	1952	A.—O.	85¾	4.81
Southern 1st cons. g. 5s	Jl.,	1994	J.—J.	106	4.71
St. L. Ir. M. & So. gen. cons. g. 5s	Ap.,	1931	A.—O.	104⅛	4.67
N. Y., W'ches. & B. 1st, Ser. 1, 4½s	Jl.,	1946	J.—J.	98½	4.59

PUBLIC UTILITIES

Electric Light Securities as an Investment

By SCHUYLER R. SCHAFF, Consulting Engineer

ANY financial movement which has been successful can be assumed as having a good and substantial reason for its existence. At the present time a great deal of activity in buying and selling public utilities as well as in their operation has brought them to the front and given them publicity greater than that gained by any other class of investment securities. This unusual popularity is due principally to the safety and steadiness of income assured in this class of investments.

Industrials, it should be remembered, have a fault which the average investor does not consider, in that their prosperity, which is nothing more nor less than their ability to sell their goods, is largely dependent on the personality and aggressiveness of their chief executive. The earnings of industrials would be subject to great fluctuations during his absence either through death or long illness. An investor in placing his savings in the industrial list is always open to their possible decrease in value through a change in management.

Public utilities are very little affected by this personal element as they deal in necessities of life such as light, heat and transportation. Electric light securities, as one of the public utility group, form a class of steady and sure investments. An electric light system when once installed and in good running order can be counted on as being a paying investment steadily in the future. Any customer having lights once installed is practically part of an insurance of future earnings. In time of panic, to be sure, there may be a percentage of unpaid bills, but the customary resource of an electric light company in cutting off light from irresponsible consumers is a guarantee that they will be paid soon in the future.

No greater proof of the stability of their earnings can be given than the result of shutting down a large electric light plant. It would be considered a public calamity and continued operation would be insisted on. In other words, an electric light system deals in a necessity whose customers insist on buying its product regardless of management or influences such as money market, panics, etc.

Sometimes the statement is made that there is no room for two companies in the same city. This is not always true. In the city of Indianapolis, Ind., there are three companies. The Indianapolis Light & Heat Company is the largest with a total outstanding capitalization of $1,000,000 stock and $2,700,000 bonds. The Merchants Heat & Light Company and the Peoples Light & Heat Company are the two remaining ones. The city is divided in three sections and each company has its own particular section. It must be remembered, however, that where there is competition, capitalization must be enough to cover a plant sufficient for that district only and not for the whole population. An investor going into a competitive location must bear this in mind. In the case of Indianapolis the whole population would be considered as 240,000, but no one company should be estimated as covering that whole number of consumers.

Another point to be remembered is that electric light companies in the South

can not be as large in proportion to the population as those in the North. Colored people can not be expected to be consumers and should be classed as so much statistical dead weight.

When investing in electric light securities it is best to find out whether the utility in question will be located in a natural gas district. If such is the case it is better to look for other investments unless there may be some agreement where the electric company does all lighting and the gas people all the heating. In point of economy electricity can not compete with natural gas. It is a better illuminant to be sure, but would be rejected in favor of the cheaper light by the average customer.

Some idea of earning capacity would be pertinent in a discussion of this kind. The briefest way to obtain a figure approximating the results to be obtained from a well operated plant is to obtain the earning capacity per capita of population served. It must be borne in mind, however, that a great many plants, in fact the majority of them, do not do an electric lighting and power business alone. Instead, that majority may control and operate the gas interests in the same community and can then be considered as giving the total light, heat and power for the population served. In the accompanying table four companies have been picked at random. The first two have the entire gas and electric light service, and the last two have only the electric franchises in the community served.

Name of company.	Population served.	Net earnings per annum.	Net earnings per annum per capita.
Shreveport Gas, Electric Light & Power Company	30,000	$118,927	$3.96
Wisconsin Gas & Electric Company	55,000	$197,236	$3.58
Dayton Light & Electric Company	117,000	$277,337	$1.94
Springfield Light, Heat & Power Company	47,000	$90,261	$1.92

An analysis of this table tends to show that the two first companies, who own both gas and electric light franchises, average about $3.77 per capita annually for their net earnings. The two companies may be considered as average ones controlling all the light, heat and power in any given district. The last two companies in the table operate only through electric light and power franchises. Their net earnings average $1.93 per capita.

These figures can be counted on as being the average for corporations covering the fields given. It must be borne in mind, however, that a large part of electric light companies are consolidated with electric railways and that the earnings as shown in the table above would not hold true for that class. Their exact earnings will be given later in another issue dealing with electric railways as one of the public utility group.

All companies doing a general light and power business are required to have certain franchises permitting them to generate, transmit and sell their power. During the infancy of electric light enterprises it was possible to secure permanent rights permitting a company full use of the streets for its transmission lines and to charge practically any amount it chose to its customers. At that period a franchise limiting an allowable charge of power for lighting was unknown. It was not recognized then that electric light was a necessity and that the giving of a monopoly to a few individuals without any restriction in their charges was improper.

In recent years it has been practically impossible to secure a franchise in any community over 5,000 population which is perpetual, and without the usual restriction as to the charges allowed. For instance, the State of Indiana has passed through its legislature a law stating that no franchise for any public utility whatever is legal that is made for a period of over twenty-five years. This was passed in the interests of the public and tends to show the fact that the value of the right to sell electricity is becoming recognized. A great many companies, of course, retain their original franchise made at the time when communities were anxious to have electric lights, and still hold their perpetual right for the sale of power. Among these may be mentioned the majority of the properties of the New York State Railways and the Dayton Light & Power Company in Ohio.

The usual franchise that is secured at the present time has a limitation of between twenty and thirty years duration. In addition, a clause states the maximum limit which can be charged for current,

which may be from ten to twenty cents per kilowatt hour for lighting purposes, depending entirely on its location and the size of the community to be served. Other clauses generally permit the company to erect transmission lines wherever necessary. A further protection is generally allowed in that the company can shut off the light from consumers who will not pay their bills within a reasonable time.

The natural tendency at the present time is, then, to restrict the allowable charges for companies of this class, owing to the fact that it has become recognized that public utilities deal in necessities and that the public must be protected. Among some of the lighting rates that can be used as examples for different parts of the United States are: The Rutland Railway Light & Power Company of Vermont which charges 14 cents per kilowatt; New York Edison Company, which charges 10 cents per kilowatt; the Nassau Light & Power Company, which charges 15 cents; and the Springfield Light, Heat & Power Company in Ohio, which charges 8 cents. The latter corporation has an unusually low charge for its output. This is chiefly due to the fact that it is very near the coal fields of Indiana and can secure its supply of fuel cheaply. A comparison between the New York Edison Company and the Nassau Light & Power Company which operates on Long Island would show that the extra charge of 5 cents over that allowed for the Edison company is due to the fact that Long Island is less thickly populated and there must be a greater amount of transmission line per kilowatt sold.

The securing of a franchise requires a great deal of adroitness and knowledge of the locality in question. The writer has an instance in mind where he attempted to secure a valuable right covering a small village. A company already in operation and situated about twelve miles away did not care to enter that territory on the principle that it was theirs any way and all they had to do was to wait and the community would pay by subscription the cost of a transmission line to their village. An attempt, however, to secure a franchise for an independent plant in that locality brought out the fact that the corporation already in operation was only too glad to extend its transmission lines and include the village. The result of negotiations was the decision that the company already in operation could give a better service than a new one, and further than that, the service would come quicker; all of which was true. The authorities then decided that there was not room for a new company and that the old one could come in if they came in within two months. It is now six months since that agreement was reached and nothing has been done, and probably will not be done unless some one else takes the matter up and forces them into action.

Public Utility Notes

Merchants Heat and Light Co.—An issue of $2,250,000 bonds has recently been placed on the market in denominations of $1,000 and $500. It is part of an authorized issue of $6,000,000 to be issued on further additions to plant. The present amount is to cover a 4,000 K. W. unit and the necessary increase of steam capacity and line extension. The company operates in a part of Indianapolis. There are three companies in that city operating in different sections, The Merchants Heat & Light Company is in the business section. Gross earnings have increased from $176,970 in 1905 to $524,666 in 1912. The total capitalization outstanding to date, including the bond issue mentioned above, is $2,500,000 bonds, $500,000 preferred stock and $500,000 common stock. Net earnings for the year ending September 30, 1912, are $243,526.27, sufficient to pay the interest on the bond issue nearly twice over.

Wisconsin Gas & Electric Company.—This company is to issue $2,000,000 5 per cent. first mortgage gold bonds. This issue is a first lien on the physical properties as follows, 121 miles of gas mains, 8 miles of single track railway and an office building in Kenosha. Further, it owns a plant of 945 K. W. low tension in Kenosha formerly controlled by the Milwaukee Electric Railway Company. The business consists of selling gas in Kenosha and

Racine and electricity in Kenosha. The population served can be estimated at 59,000 for gas and 21,000 for electricity. Official information gives earnings for the year of 1912 as $614,587 gross and $197,236 net. Interest on the present bond issue would have a surplus of $97,000 in round numbers. This issue has had the necessary approval required by the Wisconsin Railroad Commission.

Utilities' Improvement Company.—This company is now being organized with an authorized capital of $40,000,000 divided into $25,000,000 preferred and $15,000,000 common. The issue at present is for $20,000,000 evenly divided between common and preferred. The company proposes to consolidate the following properties: Toledo Light & Railways Company (including part of preferred stock), Danbury & Bethel Gas & Electric Light Company, Brantford Gas Company, Woodstock Gas Company, Athens Railway & Electric Company, Coshocton District Gas & Fuel Company, Bartlesville Gas, Electric & Railway Company, Empire Gas & Fuel Company and $2,800,000 of 7 per cent notes of Southwestern Reserve Gas Company. The first mentioned property is the best of the list. Out of the nine properties four are natural gas plants, and are necessarily short lived and leave small value behind the capital when the field becomes exhausted. Brantford Gas Company and the Coshocton District Gas & Fuel Company do not own any wells, but are merely distributing companies. The proposed dividends may be earned, but it is doubtful whether dividends will ever be large enough to return the original capital invested. These plants are not located near enough together to allow for a successful group management and any decrease in expense due to this arrangement should not be counted on. Earnings at present allow for payments of 6 per cent. on preferred and nearly 5 per cent. on common outstanding. Prospectus allows for 2 per cent. per annum on common at start to increase 1 per cent. per year until 6 per cent. is paid.

New York State Railways Company.—An issue of $6,925,000 in the form of 4½ per cent. bonds has been issued recently. The bonds are a first lien on all the property of the company mentioned. The New York State Railways Company operates the interurban and street railways in the cities of Rochester, Syracuse, Oneida, Utica, Rome and Schenectady. The ownership of the property is vested in the New York Central & Hudson River Railroad Company, which owns $13,600,000 of the common stock. The entire capitalization issued to date is $23,814,900, divided between first preferred and common stock. The common stock pays 6 per cent. per annum and has been paying at that rate since 1910. It is reported that this bond issue has been completely sold to date.

Utah Securities Corporation.—This company has recently been formed to act as a holding company for several hydro-electric developments in the State of Utah. The chief subsidiaries composing this holding company are the Knight Consolidated Power Company, The Davis & Weber Counties Canal Company, and the steam plant of the Utah Copper Company. The market must be necessarily the mining industries in the neighborhood, as Utah possesses few opportunities for current sales for general lighting and power purposes. The capitalization is $27,500,000 in stock and $25,000,000 in 10-year notes bearing 6 per cent., the latter being the present issue. It is an open question whether the properties can pay on the whole capitalization.

Pacific Power & Light Co.—This company has recently increased its bond issue by $310,000 5 per cent first mortgage bonds to cover permanent improvements. The company is a holding company for steam and water power electric plants and a railway company, all operating in the State of California. Of an authorized issue of $30,000,000 bonds only $5,605,000 are now outstanding. Net earnings for 1912 are nearly twice the interest on the bonds outstanding to date. These bonds are listed on the New York Stock Exchange.

Portland Railway Light & Power Co.—This company has an issue of $16,000,000 5 per cent. first mortgage bonds listed on the New York Stock Exchange. They are to retire the obligations of its subsidiaries doing an electric light and power, as well as electric railway business in Portland, Oregon City and Vancouver. Report shows that for 1911 there was a surplus of $756,500 after payment of all fixed charges and 4 per cent. on $25,000,000 stock.

New Investment Literature

Pamphlet showing, among other things, comparisons of earnings, yield and margin of safety as between public utility, industrial and railroad securities. Wm. P. Bonbright & Co., New York.

Pamphlet "Should the Prices of Investment Bonds Advance?" A discussion of some fundamental considerations in the bond market. D. Arthur Bowman & Co., St. Louis.

Pamphlet "Judicious Investment," explaining some basic facts about the subject. Spencer Trask & Co., New York.

INVESTMENT DEPARTMENT.

INVESTMENT: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

Practical Points for the Small Investor

Keeping Your Money Busy

By WILLIAM T. CONNORS

THE average wage earner or salaried man is so busy himself that he is apt to forget to keep his money busy.

Take the man who puts his surplus into a savings bank. His account rises gradually all through the fall months, by odd deposits made when it comes handy.

When Christmas arrives he makes his wife some valuable presents and she makes him some; he buys presents for all the children and they all buy presents for him; to say nothing of uncles, aunts, cousins, grandmothers and mothers-in-law. All these gifts come out of the same pocketbook and it gets so flat that he has to draw on the savings book account to the extent of a couple hundred or so.

Then the account begins to climb again until along in June, when vacation time comes and with it, likely enough, slack work at the office or the shop. Again he draws out part of what he has put in the bank.

Perhaps his account for the year looks something like this:

JOHN SMITH.	Debit.	Credit.
January 12		$45
March 2		75
April 10		50
May 14		75
June 21	$200	
August 7		80
September 22		100
November 3		80
December 9		70
December 17	150	
	$350	$575
		350
		$225

Fairly satisfactory, thinks friend Smith. But is it?

Savings banks credit interest from the first of the month after a deposit is made, provided the money remains in the bank until the next dividend day. Dividend days are January 1 and July 1. If the money is drawn out before the dividend day, it draws no interest.

During the first six months, Smith deposited $245 and got interest on $45 for 5 months. In the second six months he deposited $330 and got interest on $180 for about 3½ months. At 4 per cent. he was credited about $2.80 in interest during the year, and he missed over $2 by drawing his money out at the wrong time.

He kept only about half of his money busy.

Jones, on the other hand, carries a small checking account for convenience. The bank has a rule that no interest shall be credited on balances of less than $500.

During the year this checking account fluctuates between an overdraft of $1.17 and a balance of $372.79, averaging about $200. Jones ought to be smart enough to get 6 per cent. on his money safely. At that rate of interest, he has

lost $12. If he had had his pocket picked of $12, what a howl he would have set up.

I know a carpenter who always carries over $100 in his pocket "for emergencies." Only $6 a year lost, but if he had a chance to work overtime and pick up an extra $6, he would jump at it. He would rather work his hands than his head.

When we come to consider investments, even though they are small, this item of idle money gets to be important. For example, Jones owns a couple of bonds which mature January 1. When that date comes around, he deposits the bonds with his bank. He does not know just what to do with the money at the moment, and before he gets around to reinvest, it has lain in the bank for 60 days, either at no interest or at a trifling rate. That means a loss of about $20—as much, very likely, as Jones would pay for the suit of clothes which his wife has been nagging him about buying.

When the small investor catches on to the idea of trying to buy at bargain prices, his opportunities for loss of interest while waiting for a suitable opportunity to buy, become very much greater.

He remembers clearly that there was a considerable period in 1907-08 when the savings banks enforced the 60-day rule and did not permit withdrawals except of trifling sums. Also at that time brokers were unwilling to buy stocks on margin because of the difficulty of getting hold of the money to carry the stocks after they were bought.

Yet that was just the time to buy. Prices were at ridiculously low figures, but the bargain hunter had to have cash or check to pay in full for his purchases.

The investor reflects that this may occur again. In fact, the very reason stocks are abnormally low at such times is because money is tight.

If he put his money in the savings bank, he might not be able to get it just when wanted; so he puts it into a trust company where it earns only 2 per cent. interest. He has to be content with this small interest until the time comes, in his opinion, to buy stocks or bonds.

Of course, this pays much better than losing his opportunity to buy at the right time, for the loss of interest is very small compared with the profits that may be made through buying securities in panicky markets.

Suppose his money lies idle half the time, on the average. All it would have to earn during the remaining half of the time would be 6 per cent. to give him an average return of 4 per cent. over the whole period. He could buy his securities on a 6 per cent. basis in a time of demoralization, to say nothing of whatever profit he might make by purchasing at a low price and later selling out at an advance.

There are, however, several ways in which this loss of interest may be at least partially overcome. For example, some good building and loan associations place no limit on withdrawals. In 1907, it was the general experience of depositors in such associations that they were able to get their money at times when they could not have withdrawn it from the savings banks.

This was because the easily frightened class of depositors do not invest in building and loan companies to any extent. Hence the demands upon these companies are but little heavier in a panic than at any other time.

Again, many banks and trust companies allow 4 per cent. interest on time deposits. They can do this because they know in advance just what withdrawals they have to meet on time deposits and can prepare for them. The advantage of this to the investor is that almost any brokerage house would readily accept a certificate of deposit maturing in 30 or 60 days as a part of the purchase price of securities, even in a time of tight money. It is to be borne in mind that the broker is not absolutely contemptuous of his customer's business, even in panicky times, but is generally ready to do whatever he can to accommodate the genuine investor.

A little persistence also will generally get money out of a savings bank, even when the 60-day clause is being enforced, provided the depositor shows that he wants the money for the purchase of securities outright, paid for in full. If the cashier has no authority to permit such a withdrawal, higher officers of the bank will usually grant it. Of course, the withdrawal would have to be in the

form of a check, not actual cash, but this would make no difference to the investor.

Many trust companies in the smaller cities pay more than 2 per cent. on checking accounts, and some strong private banking houses in New York pay 3 per cent. I have in mind a trust company in Washington, D. C., which pays 3 per cent.; a bank in Nashville, Tenn., which allows 4 per cent. and a private banking house, members of the New York Stock Exchange, which pays 3 per cent.

In seeking these higher rates of interest, however, the investor must exercise caution to select only institutions of the highest standing. A weak trust company sometimes offers a higher rate of interest to attract business. If a trust company in the Wall Street district, for example, were to offer 3 per cent. on checking accounts when all other similar companies around it were paying only 2 per cent., I for one would not care to put my money into it.

A margin of 1 per cent. means a good deal to a banking institution. A building and loan association which attempted to pay 5 per cent. for the full time from date of deposit to date of withdrawal, recently came to grief, while others operating under similar conditions and paying only 4½ per cent. in two semi-annual dividends, had no difficulty in maintaining their soundness. These companies all loaned at 6 per cent. One per cent. margin was not enough to cover expenses. One and one-half per cent. meant an increase of 50 per cent. in the company's income.

The instalment plan, recently adopted by a number of New York Stock Exchange houses, is also a help to the small investor in keeping his money busy. By this method, he pays down a certain per cent. of the value of his stocks, usually 20 to 30 per cent., and obligates himself to pay the remainder in regular monthly instalments. On the other hand, the broker agrees to carry the stocks for his customer without margin calls, provided the monthly instalments are kept up regularly.

A condition of the money market which would cause these brokers to refuse business of this character would have to be very stringent indeed, and could last for only a short time. They have found by experience that nearly all their customers can be relied upon to keep up their payments regularly, so the broker knows just what he can depend upon. He will buy for such customers only securities of a high class, but this he can do safely.

Accordingly, if the investor has enough money in a trust company to meet the initial payment on the stocks he wants to buy, and the first monthly instalment, he can then outlast the 60-day clause of the savings banks, in case it should be in force when he was ready to purchase. He could keep the remainder of his money in a savings bank drawing regular interest without danger of missing his opportunity to buy securities at bargain prices.

The small investor will do well to ponder this matter of keeping his money at work. The fact that the interest lost on idle money amounts to only a few dollars is entirely aside from the point. Those few dollars represent the same proportion of his total capital as though his investments were in the millions.

The Chicago packing houses laid the foundation of their wonderfully prosperous business by stopping all the small leaks and catching every dollar of income, no matter how unimportant it might seem. They flourished, while many of the small packers went to the wall. The small investor becomes a large one by applying sound investment principles, and of these one of the first is to KEEP YOUR MONEY BUSY.

Investing for Profit

A Review of General Principles and Practical Methods

By G. C. SELDEN

Author of "Psychology of the Stock Market," etc.

[This series of articles is intended to lay before the reader, in a brief but fairly comprehensive form, the outlines of the basic principles which must underlie all efforts to invest for profit, as distinguished from pure speculation on the one hand, and on the other hand from investment for income only. This branch of investment has been but little discussed, as most writers have turned their attention either to the field of investment for income only, or to the study of the merits of individual securities.]

V—When to Buy Standard Rails

IN the preceding chapter, I endeavored to bring out the general principles by which growing railroad stocks may be selected without any special difficulty, even by the investor who has only such slight knowledge of railroad statistics as can be readily obtained from the annual reports and from a cursory reading of a digest of current news perhaps once a month.

But the investor for profit is not necessarily restricted solely to the most rapidly growing companies. Opportunities will frequently appear when the stocks of standard, solid, well-conducted companies, whose business has been, and is likely to be, well maintained year after year, can be bought at prices which will enable the purchaser to add profits to his interest in the course of a few years.

The Pennsylvania Railroad, for example, has paid dividends regularly for over half a century. It would not naturally be selected as a very rapidly growing company, as most of the territory through which it passes is already well developed. It will doubtless keep pace with the growth of population and business in the United States, but it could not possibly repeat the performance of Norfolk & Western as related in a preceding chapter.

Owing to the standard character of the road and the relative stability of its business, the price of its stock fluctuates less than that of almost any other American company. For the first nine months of the current year (1912), for example, the price of this stock moved over a range of less than four points, from 122½ to 126¼. Yet it sold from 99 in 1896 up to 142 in 1899; down to 124 in 1900; up to 170 in 1902; down to 111 in 1903; up to 148 in 1905; down to 103 in 1907; up to 151 in 1909; and down to 118 in 1911.

Here were plenty of opportunities for the investor to get a profit in addition to his interest, without the exercise of any extraordinary sagacity. Figuring out the yield on the investment at these various high and low prices, we get the following:

	Price.	Divs.	Yield.	
1896	99	5	5.1	
1899	142	5		3.5
1900	124	6	4.8	
1902	170	6		3.5
1903	111	6	5.4	
1905	148	6		4.1
1907	103	7	6.8	
1909	151	6		4.0

A brief examination of this result shows that during the easy money markets and big bull speculation of 1899 to 1902, the interest yield on an investment in Pennsylvania stock was 3.5 per cent. at the highest prices; in 1905 and 1909, when the supply of surplus funds for investment was noticeably smaller, the yield at highest prices was practically 4 per cent.; and that the yield at lowest prices was about 5 per cent., with the exception of 1907.

In the last mentioned year, the dividend rate had just been raised to 7 per cent.—a figure at which it was found inadvisable to maintain it. Also, the low price of 1907 was made in the midst of the sharpest money panic the country every experienced. These special con-

ditions resulted in an abnormally low price in proportion to dividend returns.

The investor who simply shut his eyes and bought when Pennsylvania was on a 5 per cent. basis and sold when it reached a 4 per cent. basis, would have found two opportunities for adding a good profit to his interest, as follows:

	Bought at	Sold at	Profit
1896	100		
1899		125	25
1903	120		
1909		150	30

His money would have been in use during nine years, three years on the first investment and six years on the second. It would have yielded him 5 per cent. throughout, plus a profit of 55 per cent. on his first investment at par, or an average interest of about 11 per cent. for the whole period.

To get still better results, he would need to mix only a small amount of judgment with his rule. In 1900, in view of the abundance of capital, the easy rates for money and the general soundness of business conditions, the average business man would not expect Pennsylvania to sell as low as a 5 per cent. basis. He would be much more likely to set his figure at 4½ per cent. Likewise in 1902 he would probably hold for higher than a 4 per cent. basis.

Again, in 1907 conditions were so threatening and the money market so disturbed all over the world that the fairly well informed investor would be almost sure to wait for a 5½ or 6 per cent. basis before purchasing, especially as Pennsylvania had at that time only just raised its dividend to 7 per cent.

Another practical method would be to buy part of the stock desired when the price reached a 4½ per cent. basis, more at a 5 per cent. basis, and the last at 5½ per cent.; then to realize profits half at 4 per cent. basis and half at 3½ per cent. The past history of the stock, combined with an ordinary business man's knowledge of present conditions, would in any similar case enable the investor to lay out a common sense campaign.

Again, it is to be noticed that while the great standard companies which do a well maintained business year after year, are not in the same position as those companies discussed in the last chapter, which must grow as a necessary result of their location in growing territory, these standard companies nevertheless have their growing periods, and these periods can often be distinguished by the watchful investor.

To take an example, which will be likely to bring out the point more clearly than a more abstract discussion, we will examine into the history of the New York, New Haven & Hartford Railroad since 1897.

I have selected this road because it is perhaps the least favorable for the investor's purpose of any of the leading American railways. It is located in New England, the oldest section of the United States, where natural resources are less bountiful than in most sections and have also been pretty thoroughly developed in the past. It is a road which has had to meet water competition on one side and trolley competition on the other. In order to hold its own it has been obliged greatly to increase its capital issues for the purpose of buying up steamships and electrics, which when acquired have added but little to its income. Its New York terminals have also been a source of great expense.

As a result of these various conditions, New Haven stock sold as low in 1911 as in 1907, and lower in every year from 1907 down to date than in the depression of 1896-7. We may take it for granted, then, that if the investor for profit could distinguish the growing periods in the recent history of this stock, he could do equally well or better in the stocks of other roads which have made greater progress.

In the accompanying table I have compiled, for each year from 1897 to 1912, the earnings on this stock, dividend paid, per cent. of operating expenses to gross earnings, and range of price. These figures show the salient facts in the condition of the company year by year. All are clear to every reader, with the possible exception of "operating ratio"—the per cent. of expenses to gross earnings, which was explained in the last chapter.

The novice, in calculating this per cent. on any stock, should be careful to distinguish between "net earnings" and "net income." Operating expenses may be obtained by deducting net earnings from

New York, New Haven & Hartford R. R., 1897-1912.

	Earned on Stock.	Div.	% Operating Expenses.	Price Range.
1897	8.2%	8%	67.6	160—185
1898	8.2%	8%	68.5	178—201
1899	8.4%	8%	68.8	198—222
1900	8.7%	8%	70.2	208—216
1901	8.7%	8%	70.2	206—217
1902	8.7%	8%	71.9	209—255
1903	8.4%	8%	73.9	187—225
1904	8.1%	8%	71.3	185—199
1905	8.4%	8%	71.2	192—216
1906	12.2%	8%	70.2	189—205
1907	9.2%	8%	65.6	127—189
1908	5.4%	8%	74.4	128—161
1909	7.4%	8%	66.4	154—175
1910	10.3%	8%	63.7	149—162
1911	7.1%	8%	65.8	127—151
1912	8.5%	8%	64.8	

gross earnings; but net income usually includes other items besides earnings from operation, such as interest on securities owned, etc.

Starting with 1897, we find the stock earning 8.2 per cent., and paying out practically the entire earnings in dividends. This was perhaps warranted because of the firmly established condition of the company and the stability of its business. The road was not at that time under the necessity of piling up a surplus for extensions and improvements, as would have been the case with a road in newer territory. The operating ratio was at a safe figure, 67.6 per cent.

At the price of 160 the stock was returning 5 per cent. on the investment, which was as large a return as could be expected from a stock of such high standing, and in view of the contracted state of general business in 1897, the investor might well conclude that if he bought the stock around that price, he would have ample opportunity to sell it higher when he found such action advisable.

For three years he would have been gratified to see a steady advance in the price, accompanied by slightly larger earnings on his stock and no important change in the operating ratio. By the end of 1901, however, he would have observed that the operating ratio was creeping up, while the earnings on the stock had stopped increasing and remained stationary at 8.7 per cent. Early in 1902 he would have found his stock at the extremely high figure of 255, at which price the yield would be only 3.1 per cent.

Bearing in mind that our investor is planning to hold his stock only during the period of growth; that the per cent. of earnings on the stock has now ceased growing; and that the operating ratio has been gradually rising for four years; we may conclude that before the high price was reached, he would have been satisfied to take his profit and to look elsewhere for another investment.

When the annual report for the fiscal year ending June, 1902, came out, he would congratulate himself on the sale, for the operating ratio for that year jumped to 71.9 per cent.

In May, 1904, the price dropped back to 185, but the investor would not be willing to repurchase, for the operating ratio of the preceding year had been still higher at 73.9 per cent., and earnings on the stock lower at 8.4 per cent. These figures showed very plainly that the company was not yet down to an economical basis in the handling of its business.

The 1907 report, however, showed a marked improvement. Not only had earnings risen to 12.2 per cent. for 1906 and 9.2 per cent. for 1907, but the operating ratio for the latter year was down to 65.6 per cent., the lowest for over ten years. This appeared to demonstrate that the company had put itself in a position to handle the very heavy business of that year in a successful and economical manner.

November, 1907, gave an opportunity

to repurchase the stock at 127, and 128 was touched early in 1908. There were plenty of opportunities to buy all sorts of stocks at a bargain at that time; but if the investor had again selected New Haven, yielding 6.3 per cent. on an investment at 127, he would certainly have been warranted in sleeping soundly on his purchase.

When the 1908 report came out, however, he would have been shocked to learn that not only had the earnings dropped off to 5.4 per cent.—which was not unnatural in view of the depressed condition of business—but also the operating ratio had risen to the surprising figure of 74.4 per cent. An examination of the report showed that this was due to a large increase in expenses for "maintenance of way" and "maintenance of equipment," both of which had been somewhat reduced in 1907.

The investor would naturally reach the conclusion that the very low operating ratio for 1907 had been achieved by letting the road and equipment run down, and that this deterioration had to be made up in 1908, a year of poor business. He would be dissatisfied and would get out of his holdings and look around for something else.

That investors did exactly this is shown by the fact that the high price for this stock was 175 in June, 1909, while the high price for the average of 20 standard rails was not reached until September of that year, and in some individual cases, not until December. Investors were availing themselves of the strong spots to get out of their holdings. But as the high price of the stock for 1908 had been only 161, our investor would have had ample opportunity to get a moderate profit even if he had delayed unreasonably long in purchasing in 1908.

By 1910, earnings were again up to 10.3 per cent., and the operating ratio down to 63.7 per cent., so that the investor might have been warranted in taking advantage of the very low prices of 1911, if New Haven stock still looked attractive to him.

The fact must again be emphasized that no sort of golden rule can be drawn from the figures given in the table, which can be applied to all conditions and circumstances alike. The earnings and operating ratio simply give in the most condensed form the same information that any business man would collect and study if he were running a business of his own—the relation between earnings and expenses, and the per cent. earned on the investment. It is merely a common sense proposition, yet many inexperienced investors seem to find themselves confused by it.

It is highly desirable for the student of investment conditions, who desires to profit from his investigations in a practical way, to keep a note book or some rough memoranda showing the progress of all the principal railroads. The form of table shown in the preceding chapter is the best for that purpose, as giving a more comprehensive view. The time required to compile the figures is unimportant, as the reports on which the table is based appear only once a year.

With these data at hand, the investor at once notices any important change in the condition of any company, and by comparison with other companies he can quickly discover whether the change is due to special conditions affecting that company alone, or is a result of more general causes, which are affecting all the roads together.

When he has learned in this way to keep his finger on the pulse, as it were, of each railroad system, he will begin to see many opportunities for switching his capital from a road which has stopped growing to one which is apparently just beginning to grow, or from a road which has finished a growing period to one which has completed a movement of contraction and retrenchment and is again ready for a new forward swing.

Exact information, intelligently digested and broadly viewed, is the principal requisite for success in investing for profit.

(To be continued.)

What Has Doubled the Price of Standard Oil In a Year?

By EDGAR D. POUCH

JUST before the Government suit was decided against the Standard Oil Company in May, 1911, a popular magazine published an article by John Moody and George Kibbe Turner, in which it was prophesied, contrary to general legal opinion, that the company would continue to dominate the petroleum industry and prosper, even though it might be divided into its component parts..

Many investors reached approximately the same conclusion and backed their ideas with considerable money; for in August, 1911, old Standard Oil stock (as it is now called) sold around $600 per share and slightly under, while in August, 1912, it sold at $1,140 per share. This price includes all rights and subscriptions to increased stocks in the distributed subsidiaries.

To understand the main reason for this rise, one must look first at the prices of the component parts of the Standard Oil stock soon after the official dissolution, December 1, 1911. For example, take the price of Standard Oil Co. of New Jersey on December 15, 1911, alone (without rights distributed as of December 1), and compare with the high of August, 1912. It will show a rise of 25 per cent. from $335 to $420 per share. The total market value of its rights, however, in a block ("Subs.") on December 15 was $315, and in August, $722, which is an increase of 130 per cent. in eight months. Thirty-three subsidiary companies are represented in this composite price, and a market quotation had to be evolved for each one. This came in a few weeks, as will be shown later, with surprising rapidity.

From early December these quotations advanced—some only a little, many considerably—almost phenomenally, some as much as 350 per cent. The ten Pipe Line Company stocks advanced an average of 120 per cent., and the seven Refinery Company stocks (except Standard Oil of New Jersey) advanced an average of 165 per cent. Of course, the early undeveloped markets of December are not a fair basis with which to compare August, 1912, prices; but here is a group of thirty-three stocks that advanced 130 per cent. contrary to general expectation. Some stockholders looked for a normal advance—say 10 per cent. or possibly more, like Standard Oil Co. of New Jersey, but not 130 per cent.

FIRST IMPRESSIONS.

When the company sent its stockholders a notice August, 1911, that on or after December 1, 1911, it would distribute, according to the instructions of the Supreme Court, the various stock issues of the thirty-three companies mentioned in the suit, there was considerable surprise. Many thought they would, of necessity, hold their strange allotments for years, unless the company should itself offer to buy the fractions or even up the fractional shares. These fractions could not be avoided in the distribution of capital stocks that in practically all instances were smaller by far than the $100,000,000 stock of the New Jersey company. Finally, when the certificates were delivered, it was with a feeling of amusement or disgust that a small holder of, say, 10 shares of the New Jersey company found he had one-tenth of a share of this refinery, or one-half of a share of a pipe line, etc., etc. When he figured that his dividend checks of, say, 10 or 20 cents might come to him quarterly from about thirty different companies, he became more disgusted. Some, of course, sold to the first bidder carelessly, or possibly started to buy enough fractions to make up full shares. Many others passed the word around that the proper thing and the conservative one,

was to wait for a full year of operation under the new order, before buying or selling so much as a fraction.

When an opportunity presents itself in Wall Street, it is fair to assume that at least a few brokers think of something to do to stir up business, and December, 1911, was no exception, for with it came one of the greatest opportunities in the investment field in years. A new group of stocks was handed to a few thousand stockholders, the great majority of whom knew next to nothing about them. Several brokerage firms at once started out to operate along the lines of least resistance and to exploit the new securities. They advertised that they would practically eliminate all the stockholder's troubles regarding fractions, and gradually through their efforts, the fractions were largely consolidated into even shares. Those who did not want all the 33 fractions in their Standard Oil account were promptly accommodated in a variety of ways.

THE INVESTORS' PART.

Enough investors knew of the company's reputation for large earnings, to want to buy the stocks when placed within their reach, and at last their chance had come. Shares with a $5, $10, $25, $50 and $100 par value were among these oil stocks—some quoted above par, and some below. These prices were far more tangible than the $600 or $700 per share, at which the New Jersey company's stock had been quoted for years. The feeling of the investing public was that everything the Standard Oil directors bought made money; so these issues were a good risk, especially as only two of the 34 companies had any bonds outstanding. Among the first buyers of these shares were the old employees, who had possibly been assistant managers in the oil field, or in the refinery works, cashiers, or even thrifty clerks, who for years had wanted to buy stock in the company with which they had been connected. One thousand dollars would not buy two shares of Standard Oil of New Jersey stock last year, and even $10,000 would not go far at $600 per share. They had undoubtedly observed the profits rolling up and perhaps had just been appointed officers or directors in new subsidiary companies in which they wished to invest their savings. As the opportunity presented itself, they grasped it without waiting. They could buy National Transit at par, $25 per share, and Anglo-American Oil Company at $7 per share ($5 par). In most cases they were so anxious, or were such novices in Wall Street, buying at the offered prices on an advancing scale, that the brokers followed the same tactics which brokers have used for centuries, resulting in advancing prices.

President Taft is reported to have said a few months ago in one of his speeches, that the investing public had only just begun to realize the valuable assets heretofore hidden in these subsidiary companies whose records were now being uncovered and exploited, explaining the extraordinary rise. Now the question for the brokers and dealers was, if these stocks were to be popular, where was the supply to come from? This question had been asked by many, and has considerable bearing on our original question of what has doubled the price of the Standard Oil stock in a year.

The fact is that the demand has greatly exceeded the meagre supply in spite of the efforts of several firms, who have persistently bought subsidiary stocks in block (or the old stock with all rights) and divided them up with considerable work into the 34 parts and retailed them according to requirements.

The necessary tedious clerical work in adjusting and figuring prices on fractions, the almost endless transfer difficulties with the various transfer offices scattered all over the country and the consequent delays and risks, as well as money involved while in transit, made the dealers' profits less than is sometimes supposed.

Many old stockholders have been very willing to take their profits which were so great in the past year, and have steadily supplied the market, 10 shareholders and 100 shareholders alike, all over the country, until today the stockholders' list must have changed materially among those who hold less than 500 shares. One of the large refinery stockholders' lists now number 1,500 less than December 1, 1911.

As regards the early prices, there is much diversity of opinion. The market had a simple but intangible beginning.

For several weeks at first, probably up to December 20, it is likely that fractions, or one share trades, composed "the market." Therefore, the actual first prices are of very little importance. However, by the first of the year, the brokers knew how to figure what they could pay for 50 or 100 shares of old New Jersey stock, and split it up into its many parts. Some did only this; others set about investigating old reports, manuals, court figures, and especially the government report by Commissioner H. K. Smith, which was the basis of the suit, showing the 1906 earnings, balance sheets, etc. This was easily secured gratis, by writing to the department at Washington. Later, the principal figures were compiled from this, published by a Wall Street Information Bureau, and sold broadcast. This educational campaign began to tell in the various prices which advanced steadily, always carrying the "subsidiaries in block" higher and higher. Full shares were now handled in 10, 50 and 100 share lots in all but the smallest companies where the capitalization was so small in proportion to that of the New Jersey company that the pro rata distribution was infinitely small; for example, in order to be allotted one share of a $100,000 company, one would have had to own 1,000 shares of the New Jersey company, representing a $600,000 investment in the latter company.

PIPE LINE RISE.

About February 1, the Commence Commission asked quite a number of pipe line officials to come to New York for a conference, and prices improved mysteriously, in spite of the discouraging newspaper articles about the ill effects of Interstate Regulation. These out-of-town directors used their opportunity while in the city to pick up considerable pipe line stock. The only mistake they made was to call upon too many of these Standard Oil specialists, particularly the newly advertised ones, and thereby "bid themselves up" on the most popular pipe lines. These small markets were very sensitive and advanced 10 or 15 per cent. daily. "Western wire" firms began to come into the market—always on the buying side, and fractions were neglected and forgotten, while the 10 or 50 share markets were developing.

Another stimulus was the change in the method of quoting from "per cent." to "dollars per share," to conform to Pittsburgh's practice in the other independent oil company stocks traded in there. This took place about January 17.

National Transit that had been around par (100 per cent.) was now quoted $25 per share, and sounded much cheaper. Also the other stocks whose par value was less than $100 per share were at once quoted apparently cheaper. This was immediately commented upon by a certain publication that usually took a hostile attitude toward Standard Oil matters. It argued that "insiders had sold on the original high prices and now the market had declined to half the original prices in a number of issues." These were the stocks whose par was $50 per share and the writer of the article had apparently neglected to thoroughly investigate the subject he had chosen.

GROWTH OF THE MARKET.

In December there were only four firms (two New York Stock Exchange members and two non-members) dealing in and advertising either fractions or full shares, whereas by February there were certainly twice this number. Then the Curb brokers began to enter the market, taking a low-priced stock like Anglo-American Oil Company, and in a week or so advancing it from $7 to double that price—February 5, $7; February 19, $14. The first week of March produced unexpected record prices in almost all issues—in fact, the rise had been so rapid that a general reaction set in in real earnest, running to about May 1, affecting pipe line stocks most heavily, probably 25 per cent. to 50 per cent. of the rise was lost in this way. But the next two months brought them higher than ever. Invasion by the Curb brokers was a great trial to a few of the original specialists in these stocks, for they had persistently discouraged the Curb market, by making extra wide

quotations to all but private customers. Others, however, realized that the best market was the closest, and that the Curb in this case was perhaps a necessary factor in building a real market, affording a place where stock could be more easily accumulated or distributed, as the conditions required. The method of actively trading over the telephone with a dozen different firms might be well enough as a start, but how could it be for the best interests of all? What would happen to General Electric as an investment stock, for example, if handled in this way instead of on the Exchange floor? The Curb as a "trading post" at least, was the logical place to build up markets open to all. After awhile, however, the market naturally centered on the Curb, and gradually the quotations were narrowed down. For example, the bid price and offered price of such stocks as National Transit were quoted one point apart, instead of five or more points, and this in itself proved that genuine markets were at last coming. Many other issues now for the first time enjoyed the same conditions. The daily papers developed very little in this respect—that is, in securing and printing close daily quotations. They may have been handicapped because of no official listing of these stocks either on the Curb or elsewhere. Of course they would have had to hunt up the best bids and offers each day, on account of the frequent changes and to check up the day's sales would have taken considerable time and attention, but it should have been worth while on account of the wide interest in these newly quoted securities. Protest from some active firms only temporarily improved conditions; in fact, throughout the past nine months this Standard Oil market has flourished, in spite of the signal lack of help from the papers, that should have been gladly given. (*To be continued.*)

Wall Street Dollars

Do You Furnish Them or Get Them?

YOU can't help doing one or the other, no matter how hard you try. As we showed in a recent article entitled "You and Your Money," you can't keep your money out of Wall Street, because Wall Street is the great heart through which all the money of the country is constantly pumped in and out.

You may profit by this process or you may lose by it, according as you apply your natural intelligence to the question or remain wrapped up in your little cocoon of ignorance, prejudice or indifference.

Now, when your money takes its natural course through Wall Street, does the sum return to you larger or smaller? Suppose the dollars are fewer—that you are furnishing some of the surplus dollars of Wall Street.

How do you furnish them and why? Are they taken away from you by force or craft, or do you contribute them? Nobody parts with his dollars willingly—why do you continue to hand yours to Wall Street?

If you are a haphazard speculator, these questions are quickly answered. In that case, the first reason why you furnish dollars to Wall Street is that—

You try to make your money earn 25 per cent. a month, which can't be done, instead of 25 per cent. a year, which can be done, if you know how.

Some time ago a member of a leading stock exchange explained to us his method of making 30 per cent. a year by purchasing standard stocks outright on breaks and realizing with a certain amount of profit each time. (You will find this plan explained on page 264 of the September MAGAZINE OF WALL STREET.)

At different times we have mentioned this plan to a number of persons as a practical and sensible idea. In most cases

they have objected to the plan, not because it involves speculation, not because it might tie up their capital for a considerable period, not because they thought it wouldn't yield the results claimed for it, but why? Because a profit of 30 per cent. a year was not large enough to satisfy them!

In every line of business there are a few visionary enthusiasts who continually attempt the impossible and therefore continually come to grief; but it is hardly too much to say that *all* speculators on margin fall into this error. Even the few who succeed are less successful than they would have been if they had attempted less.

Another mistake that you may be making is that—

You try to scalp, instead of trading on the big swings.

If you operate for the broad movements of the market, you have at least a fighting hope and the chance to use your intelligence. But scalping is an "error of mortal mind," as our friends the Christian Scientists say. You cannot make a permanent success of it unless you are on the exchange floor, and maybe not then.

Thomas F. Woodlock, a member of the New York Stock Exchange, explained, in a lecture which appeared in this magazine in November, 1909, that the commission-paying trader who operates on a basis of taking one point profit or one point loss, is fighting against odds of 11 to 5; on a two-point basis, 19 to 13; and on a three-point basis, 27 to 21.

In the slang of the day, "Can you beat it?" Scalping looks feasible, but it's a delusion.

If you aim for ten points profit or ten points loss, the odds, in a stock which has a market in eighths, are 83 to 77, and even a market in quarters offers you 84 to 76. This gives you a reasonable show.

Again, perhaps *you allow yourself to be influenced by newspaper gossip instead of digging down to the bottom facts.*

You forget that, necessarily and logically, prices are highest when public sentiment is most bullish and that the newspapers, generally speaking, simply reflect public sentiment. When stocks are up, the public is long and wants bull news; ergo, it gets bull news. You read the bull news, get enthusiastic and buy around top prices. Sorry to appear to criticise, but that's what you do. It's an extraordinary fact that—

Speculation, probably the most difficult of all lines of business, is the only one in which the novice feels competent to engage without any previous preparation.

The law student spends four years in a university, three or four years in a law school, and several years more in getting practical experience with a law firm before he feels competent to set up in business for himself. The most successful physicians go through a similar course of training. The ordinary business man has probably started in as office boy and worked up through different positions until he is middle-aged before he is entrusted with the control of the company's funds. The professor of economics undergoes four or five years' special training and study, at home and abroad, in addition to his regular university course, before he feels qualified for a first-class success.

But the haphazard speculator, by way of training, reads the market page of the *Herald* or *American* for six months, and gets a few tips from his broker as a post-graduate course.

The average office trader couldn't run a peanut stand profitably without more knowledge of the business than he has of the scientific principles of investment and speculation.

Ten years ago there was some excuse for this ignorance, because there was so little information in print on these subjects; but now that excuse no longer exists. There are numerous good books available, and the back issues of this magazine are a mine of information on the scientific aspects of investment and speculation.

But suppose you are not a speculator. Can your dollars still come back to you out of Wall Street fewer than they went in?

Only in one of two ways: Either because you have made, or somebody has made for you, a bad investment; or

through the failure of some one of the agencies which handle your money during its course into Wall Street and out again.

The natural condition of things is that more dollars shall come back to you from Wall Street than you sent there, because it is an economic law that your money earns interest. No matter whether your capital is increased by the paltry three and one-half per cent. allowed you by a savings bank, or by the twenty per cent or more which is often realized by shrewd investors, it should, under normal conditions, earn some interest, larger or smaller.

Suppose, for example, you put your money in a bank. The bank sends the money to a firm of Wall Street bond dealers and tells them to buy certain bonds with it. How can your dollars shrink under these conditions?

First, the various securities bought by your bank might decline in value to such an extent that the bank would have to suspend—bad investments, made, in this case, not by you personally but by your bank.

Second, either your bank or the bond house might fail through some kind of bad management. Of course, the failure of the bond house wouldn't effect you unless it pulled down the bank with it.

To put it all in a nut-shell—your dollars go through Wall Street, with or without your consent.

If, when those dollars come back to you, they are fewer than when they left you, that is because—

You have lost part of them through ill-considered and unintelligent speculation; or

Some one, either you or some other person acting for you, has invested your dollars unwisely, or

The unexpected failure of some apparently well-managed institution has caught your dollars in transit.

Can these possibilities be avoided?

There is no way of eliminating all risk from human affairs. You can't walk the streets without running the chance of being hit by a falling cornice. It is very likely to be the "innocent bystander" who gets in the path of the stray bullet. But when your dollars go through Wall Street, you can eliminate *more* of the risk than you can in most of the activities of your presumably well-ordered life.

You can avoid speculation, or participate in it only after suitable preparation and study.

In investing, you can learn to place your dollars yourself, so as to get the benefit of careful, thoughtful handling, and of whatever degree of good judgment you have now or can cultivate by study and practice.

By dealing with Wall Street direct, you can select houses whose honor and financial standing are of the highest.

B. Branklin, who was no small philosopher in his day (though the modern generation seems to prefer Robert Chambers), once said: "If you would have your business well done, go; if not, send."

Why not learn to take your dollars on a "personally conducted" tour of Wall Street, instead of kissing them goodbye and sending them there in charge of a guardian?

If you permit others to act in your behalf, you must accept full responsibility for all their errors of judgment. Results will then depend entirely upon what they do for you. Your savings bank is, of course, surrounded by legal safeguards; but plenty of savings banks have come to grief. Your insurance company may be managed in the interest of a controlling clique, and as the writer had occasion to point out to the president of a certain large insurance company some years ago, may be at times headed toward insolvency, without the knowledge of the policyholders.

Besides, if you give others the proxy in this matter of investment, you pay for it. Your return on a savings bank account is only 3½ to 4 per cent. and on an insurance policy with investment features, or an annuity, approximately 3½ per cent. You see why you lose both ways—there is a financial loss and a financial risk, both of which are overcome when you understand the inner workings of the investment market and place your funds yourself.

For example, you can buy a first mortgage railway bond returning 4½ per cent. just as well as your savings bank or your insurance company can do it

for you. By doing so, you secure an increase of 30 per cent. in your interest rate; that is, on $1,000 you would receive $45 per annum against $35 from the savings bank or insurance company. The $10 increase is about 30 per cent. of $35. And the more you know about the science of investment the higher the rates of interest you can make your money earn.

Sit down *now*, and figure out on the above basis whether, after your money passes through Wall Street, it returns to you the larger or the smaller percentage. Whether your investments are large or small has nothing to do with the matter. It is the *principle* that, consistently and scientifically followed, will affect the progress of your bank account.

If you are not securing a full return on your money, you are supplying Wall Street with some of those dollars which the muckrakers have so much to say about. *Find out why.* If we have set you thinking on that problem, the purpose of this article is accomplished.

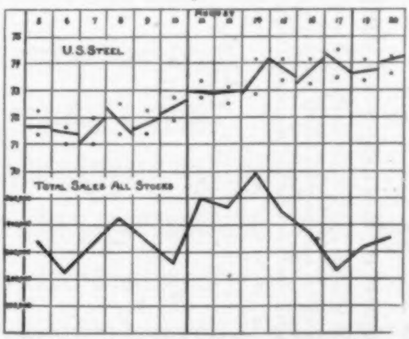
In pursuance of the above theme, the next issue will contain an article on "Your Opportunities in Wall Street."

A Condensed Price Record

A SUBSCRIBER sends us a sample of a simple and convenient method of recording exact prices of leading stocks day by day. It is a very easy and condensed graphic, and we reproduce it herewith. In explaining it he says:

"I use ordinary cross-section paper with lines running 1/8 or 1/10 inch apart each way and rule heavier lines vertically six spaces apart, with pen or pencil, to divide the weeks, placing the month and day of the month at the top of the sheet and allowing one square per day. I rule similar lines horizontally *five* spaces apart, allowing one space per point rise or fall and marking the name of the stock at the left of one of the lines, which I number with the nearest five or ten figures to the present market price of that particular stock.

"In each vertical column, representing one day, I place a pencil dot in the proper place to show the 'High' for the day, and another to show the 'Low.' From a point at the left-hand edge of the column representing the 'Open' figure to a similar one at the right representing the 'Close,' I draw a straight line, which shows the net movement for the day, and by comparison with previous days the general trend of the market. Many interesting



deductions may be made by the careful student. It is well to leave about fifteen points space vertically between the lines representing different stocks, which may be placed on the same sheet, as some may rise or fall more rapidly than others.

"I also keep at the bottom of the sheet, a curve showing the 'Total Sales' for the day, using one square for 100,000 shares. This shows at a glance the activity of the market."
—G. B.

THE BARGAIN INDICATOR

Comparative Earnings of Important Stocks

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. Latest earnings will be found in table of "Monthly Net Earnings" or "Investment Digest."

Railroads	Present div. rate.	Earnings on par for fiscal year ending on any date during: 1906.	1907.	1908.	1909.	1910.	1911.	1912.	Present price.	Earnings last fisc. yr. on pres. pc.	Notes.
Hocking Valley com......	8	9.9	11.2	6.0	8.3	18.2	16.7	16.6	143	11.6	Very inactive. Controlled by Ches. & O.
Louisville & Nashville....	7	10.6	10.7	7.5	14.3	17.3	14.2	15.9	146	10.9	Controlled by Atl. Coast Line. Oct., ex-rights eq. abt. $10.
Southern Railway com....	0	1.9	—0.6	—2.2	0.5	2.3	3.1	3.1	29	10.7	Pfd. now on 5% basis.
Twin City Rapid Tran. com	6	8.1	8.2	8.3	9.9	10.9	11.0	....	107	10.3	
St. Louis S. W. com.....	0	—2.7	3.7	—4.2	—2.5	—1.1	1.4	3.8	39	9.8	Pfd. now paying full div. of 5%.
Brooklyn Rapid Transit....	5	4.8	4.4	4.1	4.2	5.6	6.8	8.3	89	9.3	Subways will doubtless enlarge earnings eventually.
Atlantic Coast Line........	7	10.8	6.3	5.6	9.4	12.0	12.8	....	139	9.2	Holds control of Louisville & N. by stock ownership.
Norfolk & Western com..	6	9.7	9.0	7.1	8.7	11.6	9.0	10.1	116	8.7	Controlled by Penna.
Chesapeake & Ohio.........	5	7.3	5.4	4.4	6.4	10.0	5.1	6.8	82	8.3	Recent earnings reduced by Chicago extension.
Union Pacific com.........	10	14.2	16.5	16.2	19.1	19.2	16.6	13.8*	173	8.0	Holds $307,106,000 secur. of other cos.
Minn., St. P. & S. S. M. com	7	11.7	9.6	8.4	8.8	15.7	5.3	11.1	143	7.8	Pfd. and com. share above 7%. Contr. by Can. Pac.
Lehigh Valley com.......	10	18.2	20.0	19.2	15.4	23.0	16.5	13.2	174	7.6	Jan., 1912, ex. div. 10% and rights eq. abt. 8%.
Atchison com	6	11.8	15.0	7.7	12.1	8.9	9.3	8.2	108	7.6	
Seaboard Air Line Ry. pfd	0	....	....	....	....	....	7.6	3.7	49	7.6	Reorganization completed 1910.
Great Northern pfd.......	7	13.0	11.8	7.1	8.3	8.5	8.3	10.3	138	7.5	Has large equity in C., B. & Q. and Canadian extensions.
Reading com.	6	13.9	13.0	12.7	13.2	16.1	13.8	12.5	172	7.3	Suit pending in Supreme Court.
Delaware & Hudson......	9	12.6	15.2	12.4	12.2	12.5	12.3	....	168	7.3	
Canadian Pacific	10	14.1	13.7	10.6	8.6	16.0	17.3	19.6	268	7.3	Div. 7% R. R., 3% land sales.
Buff., Roch. & Pittsb. com.	6	8.6	8.7	6.2	6.3	7.3	8.0	8.4	116	7.2	Pfd. and com. share equally above 6%.
Baltimore & Ohio.........	6	12.6	9.9	5.1	7.1	8.9	6.9	7.6	106	7.2	
Pennsylvania Lines	6	11.7	10.7	9.0	11.0	9.3	8.6	....	123	7.0	Has paid divs. since 1856.
Southern Pacific com.....	6	8.1	12.5	7.4	10.2	13.0	9.6	7.6*	112	6.8	
Colorado & Southern com.	2	3.5	4.5	4.8	4.9	7.3	5.2	2.6	39	6.7	Controlled by C., B. & Q. (Hill management).
Pittsb., C., C. & St. L. com	5	8.6	8.8	7.2	9.8	6.1	7.0	....	107	6.5	Pfd. and com. share above 5%. Controlled by Penna. Co.
Northern Pacific com.....	7	14.5	15.1	12.8	10.7	9.0	8.2	7.9	125	6.3	Large equities in lands and C., B. & Q.
N. Y., N. H. & Hartford..	8	12.2	9.2	5.4	7.4	10.3	7.1	8.5	135	6.3	
Delaware, Lack. & Western	20	22.2	38.5	40.8	52.8	35.4	31.8	....	548	5.8	"Other inc." reduced acct. segregation Coal Co.
Cleve., C., C. & St. L. com	0	4.1	3.1	0.4	4.8	2.1	2.8	....	53	5.3	
N. Y. Central............	5	4.6	6.2	5.1	7.7	6.4	5.7	....	114	5.0	Controls 1/7th Rdg. through Lake Shore.
Denver & Rio Grande pfd.	0	8.1	9.1	7.7	6.6	8.3	4.7	2.0	40	5.0	Contr. and finances W. Pac., wh. doesn't earn fxd. chgs.
Chicago & Northw'n com..	7	14.8	12.7	11.2	11.4	7.7	8.0	7.1	141	5.0	Pfd. and com. share above 7%.
Minneapolis & St. L. pfd.	0	10.4	7.8	2.7	—2.4	1.9	1.9	....	49	3.9	
Illinois Central	7	....	....	8.4	7.4	7.1	10.3	3.2	128	2.5	Div. paid since 1863.
N. Y., Ontario & Western.	0	2.0	2.8	2.6	2.3	2.3	2.0	0.8	35	2.3	
Erie com.	0	2.2	3.0	—3.7	0.3	2.9	2.5	0.7	34	2.1	
Chic., Mil. & St. Paul com	5	12.3	10.5	9.5	7.2	8.0	7.1	1.6	115	1.4	
Chicago Gt. Western pfd..	0	....	....	....	....	1.2	1.9	0.4	35	1.1	
Western Maryland com...	0	....	....	....	0.9	0.4	0.6	....	56	1.1	Connection with N. Y. Cent. completed. Will help earnings.
Rock Island Co. pfd......	0	....	....	....	....	1.6	3.8	0.5	50	1.0	R. I. Co. owns 94% of stock of R. I. Lines.
Kansas City Southern com	0	0.3	5.4	2.6	3.4	2.2	2.7	0.2	28	0.7	
Wisconsin Central com...	0	1.7	3.2	—0.6	0	2.5	—4.3	0.3	54	0.6	Leased M., St. P. & S. S. M. (Can. Pac. system).
Wabash pfd..............	0	—5.4	0.9	0.3	—0.5	1.3	—1.2	....	14	0	Now undergoing reorganization.
Chicago & Alton pfd.....	0	4.9	9.0	6.5	8.2	5.4	0.6	—0.2	35	0	Contr. by Tol., St. L. & W.—U. P. owns $10,343,000 pfd.
Toledo, St. L. & West. pfd	0	4.7	6.4	0.2	1.0	2.0	—0.6	....	31	0	Earnings given exclude divs. on holdings of Alton stock.
Lake Erie & Western pfd.	0	3.1	2.0	—2.0	0.8	—0.2	—0.1	....	37	0	Controlled by Lake Shore.
Mo., Kansas & Texas com	0	1.8	5.0	0.4	0.7	0.8	2.0	—0.8	29	0	
Missouri Pacific	0	8.1	9.9	3.7	1.3	3.3	—6.3	—2.4	44	0	

* Preliminary statement—approximate.

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

St. L. & San Fran. 2d pfd	0	13.2	24.7	1.6	8.2	5.8	8.3	....	34	24.4	Entitled to 4% before com. divs.
Erie 2d pfd..............	0	19.4	24.9	—22.1	6.4	24.3	21.7	9.2	43	21.4	Entitled to 4% before com. divs.
Erie 1st pfd.............	0	10.4	12.3	—3.4	6.1	12.1	11.2	7.0	51	13.7	Entitled to 4%.

Industrials

	Present div. rate.	Earnings on par for fiscal year ending on any date during 1906.	1907.	1908.	1909.	1910.	1911.	1912.	Present price.	Earnings last fisc. yr. on pres. pc.	Notes.
General Motors com......	0	....	....	....	....	....	15.7	17.3	35	49.4	1911 earnings 10 mos. only.
Am. Beet Sugar com......	5	2.1	1.0	4.2	7.0	7.3	10.9	13.5	55	24.5	Would be affected by tariff reduction.
Bethlehem Steel pfd......	0	5.1	10.8	2.4	5.3	13.4	13.6	....	70	19.4	Has about completed large additions.
Am. Malt Corporation pfd.	5	2.8	—4.8	10.6	6.2	3.0	8.8	9.3	62	15.0	Divs. in arrears.
Colorado Fuel & Iron com	0	1.7	0.9	0.4	2.1	4.0	3.2	4.8	36	13.3	Pfd. in arrears am't eq. to 4% on com. for 1 yr.
Am. Agri. Chemical com..	4	4.1	6.2	6.1	7.5	10.4	9.1	7.3	57	12.8	
U. S. Realty & Imp......	5	4.8	6.0	7.7	9.2	9.7	9.4	8.3	81	12.5	Controls Geo. A. Fuller Construction Co.
Inter. Harvester com.....	5	5.1	6.5	7.8	17.8	14.8	14.2	....	122	11.6	Excess chgd. to reserve 1911, about 1½% on com. Gov't suit pending.
Am. Hide & Leather pfd..	0	1.9	2.2	—0.1	11.2	—5.6	0.8	3.2	28	11.4	
U. S. Rubber com.........	4	4.1	4.4	0.2	4.0	7.8	2.2	6.3	56	11.3	Recently placed on div. basis.
Am. Cotton Oil com......	0	3.8	8.7	3.2	10.4	6.8	—1.2	6.6	59	11.2	
Union Bag & Paper pfd..	4	7.3	7.0	7.4	6.2	5.4	5.5	5.3	50	10.6	In arrears on 7% cum. div.
American Woolen com....	0	3.5	—3.3	—3.9	5.2	2.2	2.1	....	20	10.5	Subject to tariff adjustments.
Inter. Paper pfd.........	2	8.9	7.2	7.3	2.7	4.5	5.3	....	54	9.8	Earn. last 6 mo. 1911, 4,6%; 6% cum. div. in arrears.
Corn Products pfd.......	5	....	7.2	8.5	8.2	6.9	7.0	6.8	80	8.5	Div. cumulative and in arrears.
Am. Smelt. & Refining com	4	10.6	12.8	7.0	7.7	7.1	6.3	....	79	8.0	1911, 10.9% including equity in Smelters Sec. Co. earnings.
Am. Sugar Refining com..	7	....	12.4	7.5	3.9	3.8	9.6	....	121	7.9	1911 earns. exclude $3,450,627 chgd. "improvements."
United States Steel com..	5	14.4	15.7	4.0	10.5	12.3	5.9	....	75	7.9	U. S. Gov't suit pending. Reduced tariff probable.
Sears, Roebuck com......	7	6.6	8.5	4.5	18.4	20.5	17.0	....	219	7.8	In 1911 p'd a 33⅓% stock div.
General Chemical com....	6	7.3	5.7	4.5	14.4	15.6	15.5	....	200	7.8	5% stock div. 1912. 6 mos. 1912 earn. 5.6%
Westinghouse Electric com	4	....	....	....	....	7.6	12.3	6.2	81	7.7	Recently placed on 4% basis.
People's Gas Light & Coke	7	6.9	7.6	8.4	8.9	9.0	8.9	....	116	7.7	Recently won suit against 80c. gas.
Inter. Steam Pump com..	0	....	3.7	2.0	1.4	2.8	2.0	....	26	7.7	1911 earns. 2.9%, 18 mos. Fisc. yr. changed.
North American	5	3.2	4.7	4.8	6.0	6.2	6.2	....	83	7.5	Controls St. Ry. and Elec. Light Cos.
National Biscuit com.....	7	7.1	7.6	8.1	7.4	7.7	9.8	10.0	133	7.5	Paid 2% extra on com. last fiscal yr.
General Electric	8	11.7	11.6	10.2	7.4	16.7	13.7	....	182	7.5	
American Linseed pfd....	0	....	....	....	5.8	4.5	2.6	....	35	7.4	
Va.-Carolina Chemical com	3	4.8	5.9	3.7	7.1	10.4	3.1	3.3	47	7.0	Owns Southern Cotton Oil Co.
American Tel. & Tel......	8	8.2	9.0	10.1	9.0	10.0	10.0	....	143	7.0	Large equities sub. co. earns.; $50,000,000 stk. incr. 1912.
U. S. Cast Iron Pipe pfd.	4	14.0	14.7	5.4	1.2	4.4	3.9	4.2	63	6.7	Controls 75% of U. S. production.
Pacific Coast com........	6	10.1	10.3	5.7	5.3	8.8	7.2	6.2	93	6.7	Com. and 2d pfd. share equally above 4%.
Utah Copper (par $10)...	30	....	5.9	23.3	29.5	34.6	39.7	....	$63	6.3	
National Lead com.......	3	5.3	6.0	5.8	6.2	4.3	3.6	....	61	5.9	
American Can pfd........	5	5.1	6.4	6.6	6.7	6.8	7.1	....	122	5.8	Divs. in arrears. Chgd. deprec'n 1911, $2,500,000.
Republic Iron & Steel pfd..	0	12.2	18.6	9.8	8.1	11.7	9.7	5.1	91	5.6	
Pittsburgh Coal pfd......	5	8.1	10.0	1.7	3.0	7.2	5.1	....	93	5.5	Divs. in arrears.
Distillers' Securities	2	6.4	7.8	1.5	2.2	2.3	3.1	1.5	28	5.4	Holds maj. U. S. Ind. Alcohol.
Consolidated Gas (N. Y.).	6	....	3.9	4.9	6.7	7.4	7.6	....	143	5.3	
Pullman	8	14.7	11.6	9.8	10.9	11.6	9.3	8.7	167	5.2	
Nat. Enam. & Stamp. com	0	1.7	6.7	—2.1	1.1	1.0	1.1	....	21	5.2	To sinking fund 1911, $114,000, eq. 0.7% on com.
Amalgamated Copper	6	5.9	9.2	4.3	2.4	3.9	3.9	4.3	85	5.1	Div. just increased from 4 to 6%.
Western Union	3	5.9	5.0	1.7	5.8	5.7	5.4	4.0	79	5.1	Controlled by Am. Tel. & Tel.
Tennessee Copper (par $25)	6	16.5	16.0	6.5	6.8	8.9	8.1	....	$41	4.9	Inc. chiefly from sulphuric acid. Add'l 4% div. Aug., 1912.
Am. Car & Foundry com..	2	4.5	20.1	23.8	2.6	6.6	7.1	2.5	60	4.2	$600,000 set aside for com. divs.; equals 2%.
Am. Locomotive com.....	0	17.7	18.1	11.1	—3.1	1.3	7.3	0.5	46	1.1	Also mfrs. autos.
Railway Steel Spgs. com..	0	8.7	8.6	—1.3	5.3	6.0	0.3	....	37	0.8	
N. Y. Air Brake..........	0	....	....	2.4	2.7	4.5	0.5	....	82	0.6	
Pressed Steel Car com....	0	17.2	13.3	—5.8	7.7	5.5	0.1	....	37	0.3	1909, without profit from sale Can. Car Co., earned —5.9%.
Sloss-Sheffield com........	0	5.3	9.9	4.9	6.6	2.0	—0.6	....	52	0	
Pacific Mail	0	1.4	0.7	—2.1	—1.7	—1.1	—1.0	—0.1	34	0	Contr. by So. Pac. Panama Canal should incr. earnings.
Central Leather com......	0	0.4	0.4	1.3	6.3	—2.1	—5.1	....	29	0	Earned 5.2% first 9 mos. 1912.
Am. Steel Foundries......	0	5.9	14.0	0.3	0.1	6.1	—1.5	....	40	0	1911 earns. are 17 mos. Earns. 1st 6 mos. 1912, 0.7%.

Monthly Net Earnings

THIS table gives the returns of the principal railroads down to latest dates available, and should be studied in connection with the "Bargain Indicator," which shows annual results.

		Current month.	Change from last yr.	Fiscal yr. to date.	Change from last fisc. yr.	Stock outstanding (in millions). *Pref.*	*Com.*
Atch., Top. & S. Fe	Sept.	$3,676,915	+$625,956	$9,751,996*	+$1,653,816	114	172
Atlantic Coast Line‡	Sept.	425,587	—331,136	1,250,647*	—367,995	...	58
Baltimore & Ohio	Sept.	2,631,804	—193.471	7,891,466*	+12,293	59	152
Boston & Maine	Sept.	1,314,222	+169,557	4,099,080*	+958,514	3	39
Buff., Rochester & Pittsb.	Sept.	294,225	+17,351	922,327*	+88,161	6	10
Canadian Pacific‡	Sept.	4,250,304	+332,857	13,416,406*	+1,720,360	66	198
Central of Georgia	Sept.	368,533	—104,128	893,838*	—57,094	15	5
Central R. R. of N. J.	Sept.	1,153,763	—47.291	3,908,380*	+601,728	None	27
Chesapeake & Ohio	Sept.	974,531	—134,127	3,088,785*	—116,516	...	62
Chicago & Alton‡	Sept.	294,436	—38,724	1,007,878*	—152,003	19	19
Chic., Burl. & Quincy	Sept.	3,717,037	+530,653	9,326,525*	+1,217,599	None	110
Chic. Gt. Western	Sept.	407,414	+6,582	1,067,283*	+101,826	41	45
Chic., Mil & St. Paul‡	Sept.	2,193,823	+919,762	6,063,065*	+2,576,976	116	116
Chic. & Northwestern‡	Sept.	2,542,717	+324,269	7,246,444*	+875,827	22	130
Cleve., Cin., Chic. & St. L.	Sept.	967,622	+9,128	5,717,595†	+36,850	10	47
Colorado & Southern	Sept.	449,937	—38,100	1,147.050*	—234,786	1st, 8; 2d, 8	31
Delaware & Hudson	Sept.	841,539	+12,520	6,145,705†	—130,001	None	42
Del., Lack. & Western	Sept.	1,396,064	+51,141	4,063,268*	+355,684	None	30
Denver & Rio Grande‡	Sept.	820,906	+190,493	1,857,942*	+30,068	49	38
Erie‡	Sept.	1,520,354	+176,735	4,907,207*	+375,496	1st, 47; 2d, 16	112
Great Northern	Sept.	3,785,548	+228,489	9,609,743*	+642,508	209	None
Hocking Valley	Sept.	290,306	+4,565	869,586*	+53,604	None	11
Illinois Central‡	Sept.	1,042,785	+41,055	2,582,187*	—487,182	None	109
Kansas City Southern	Sept.	380,696	+99,558	1,047,543*	+257,793	21	30
Lake Erie & Western	Sept.	190,683	+19,342	937,368†	+112,749	11	11
Lake Shore & Mich. So.	Sept.	1,855,861	+69,305	13,195,359†	+2,102,908	None	49
Lehigh Valley	Sept.	1,465,255	+310.987	4,345,990*	+867,131	...	60
Long Island‡	Sept.	303,147	+11,960	1,972,915†	+193,899	None	12
Louisville & Nashville	Sept.	1,521,546	—79,236	4,016,555*	—255,002	None	60
Michigan Central	Sept.	952,452	—122,282	6,954,854†	+715,963	None	18
Minn. & St. Louis‡	Sept.	298,508	+101,921	727,547*	+238,806	5	15
Minn., St. P. & S. S. Marie‡	Sept.	829,409	+32,903	1,956,934*	+52,152	12	25
Mo., Kansas & Texas	Sept.	1,075,529	+214,811	2,463,521*	+791,619	13	63
Missouri Pacific	Sept.	1,341,790	+403.781	4.343,799*	+1,765,817	None	82
National Rys. of Mexico	Sept.	2,254,909	—108,869	5,711,150*	—1,454,695	1st, 57; 2d, 240	149
N. Y. Central	Sept.	2,949,999	—543,456	20,058,919†	—840,735	None	222
N. Y., Chic. & St. Louis	Sept.	343,334	+49,065	2,231,676†	+27,882	1st, 5; 2d, 11	14
N. Y., N. H. & H	Sept.	2,454,699	+237,834	7,512,183*	+1,239,567	None	157
N. Y., Ont. & Western‡	Sept.	221,621	+28,598	1,065,449*	+231,176	None	58
Norfolk & Western	Sept.	1,312,953	—77,226	4,129,894*	+257,217	22	97
Northern Pacific	Sept.	2,882,909	+193,207	7,323,870*	+422,520	None	248
Pennsylvania R. R‡	Sept.	3,912,347	+757,000	30,403,511†	+3,112,419	None	453
Pere Marquette‡	Sept.	402,420	—15,783	1,061,329*	—16,700	12	16
Pitts., Cin., Chic. & St. L‡.	Sept.	1,034,657	—23,624	7,597,309†	+600,721	27	37
Reading Co.	Sept.	167,458	+1,082	497,248*	—974	1st, 28; 2d, 42	70
Rock Island	Sept.	1,850,705	+31,453	5,537,615*	+61,019	49	90
Seaboard Air Line‡	Sept.	367,971	—110,842	1,152,806*	—90,873	23	37
St. Louis & San Fran.	Sept.	1,418,908	+239,095	3,726,812*	+323,487	1st, 4; 2d, 15	28
St. Louis Southwestern‡	Sept.	378,685	+38,518	1,029,121*	+232,590	19	16
Southern Pacific‡	Sept.	4,922,863	+286,385	13,912,614*	+1,979,096	None	272
Southern Railway	Sept.	1,844,357	+20,387	5,279,652*	+179,687	60	120
Texas & Pacific	Aug.	156,539	—205,597	130,441*	—396,636	None	38
Tol., St. L. & Western‡	Sept.	94,183	+29,349	249,188*	—26,817	10	10
Union Pacific‡	Sept.	4,215,513	+256,581	11,420,354*	+1,169,385	99	216
Wabash	Aug.	953,245	+150,606	1,500,275*	+90,242	39	53
Western Maryland‡	Aug.	219,885	—20,220	388,069*	—46,423	10	49
Wheeling & Lake Erie	Sept.	277,673	+571	866,931*	+61,017	1st, 4; 2d, 11	20
Wisconsin Central	Aug.	288,497	+26,564	546,020*	+93,006	11	16

* Fiscal yr. ends June 30. † Fiscal yr. ends Dec. 31. ‡ Net earnings are after deducting taxes.

The Investment Digest

THE sources of items are indicated as follows: *Leading financial and investment publications. †Banking and Stock Exchange houses. §From official sources. Neither "The Magazine of Wall Street" nor the authorities quoted, guarantee the information, but it is from sources considered trustworthy. Owing to the vast amount of information condensed into these pages, many abbreviations are necessary. For additional earnings, see also "Bargain Indicator" and "Monthly Net Earnings."

Allis-Chalmers.—*PROFITS over operation, maintenance and depreciation, June $25,642, July $66,984, Aug. $48,471. Oct. profits about $30,000—somewhat larger than Sept.—Reorganization Committee has reduced administration and selling expenses about $40,000 a mo. After second instalment, $7 on common and $14 on pref. will be called for gradually. Full assessment will provide $4,500,000. Demurrers interposed by the Co. against petitions of bondholders were sustained by U. S. Judge Gieger. This clears the way to speedy reorganization. Committee hopes to secure title to properties within three or four mos.

Am. Beet Sugar.—†Failure of directors to declare 6% rate not due to poor earnings or finances. It is still early to forecast results for fiscal yr., but probably improvement will be shown over last yr. when $13.50 was earned on com. Working capital in 1911 was $2,500,000 and is being increased. Directors adopted conservative policy, fearing that tariff may be reduced. It is their policy to await the result.

Am. Brake Shoe & Foundry.—*EARNINGS fiscal yr. ending Sept. was probably best on record, showing good increase over 1911, with higher prices and larger profits. Pref. has been in line for higher divs. for several yrs. It is 7% cumulative, but after 7% is paid on the com., in any yr., directors may declare further div. on the pref. There would seem to be ample justification for increasing the pref. div. rate at Dec. 1 meeting. All the Co.'s 16 plants are running close to capacity.

Am. Car & Foundry.—*ORDERS during last four weeks, this Co. has secured orders for over 7,500 cars more than any other Car Co. Oct. will be possibly the largest mo. in Co.'s history, and it expects to make nearly 100,000 cars during fiscal yr.

Am. Can.—*NET EARNINGS 9 mos. ending Sept. were at annual rates of 18% on pref. against 7% last yr. Last three mos. of 1912 will probably show even higher earnings, as excellent harvests, fruit crop and fish packs will all require more containers than ever before. Amount applicable to divs. will be nearly twice the best previous record.

Am. Cotton Oil.—*DIVIDEND of 3% semi-annually on pref., payable Dec. 2. Books close Nov. 14, and reopen Dec. 6.—§Com. divs. were passed by directors, although over 6% was earned on the common, directors reached the conclusion that the interest of shareholders and permanent prosperity of the Co. would be best served by utilizing earngs. in development of Co.'s business. Additions to properties last yr. $670,435 and maintenance $597,705, the latter being charged against expenses of operation.

Am. Hide & Leather.—*GROSS BUSINESS promises to exceed all previous records. For quarter ending Sept., gross sales were more than 22% over last yr. More than half the increase was due to larger sales, and higher prices have not checked consumption. —NET PROFIT Sept. quarter was at the rate of over 5% annually on the pref. stock, after heavy sinking fund allowances. Co. is now operating over 70% of capacity. Prices of leather have advanced 15% to 20% since Jan. 1.

Am. Light & Traction.—*EARNINGS FOR SEPT. best for many mos. Both gross and net increased over last yr., and expenses were reduced. The Co. enjoys a unique position among public utilities owing to successful operation for several years. For 12 mos. ending Sept., surplus for common was 26.15% against 28.13% preceding yr. Cash on hand, over $2,000,000. Earnings of subsidiaries over $6,500,000 of which $4,600,000 represented reconstruction reserve. Current assets about $10,000,000, and current liabilities $910,000. Net working capital $9,125,000 against $7,500,000 last year.

Am. Malting Co.—*ANNUAL REPORT ending Aug. 31, shows surplus equal to 9.05% on pref. stock of Malt Corporation, the holding Co. Owing to sinking fund on 1st mortg. 6% bonds, actual surplus for divs. was reduced to 6.20% on pref. Under readjustment plan, only $341,200 unassenting common, and $3,595,900 pref. remain outstanding, or 2.43% of capital stock. Working capital now $5,425,000 or almost twice the outstanding 6% bonds. Cash of $723,864 is $632,016 less than Aug. 31, 1911, but inventories larger owing to the quantity of malt made up from the high priced barley of 1911 remaining to be delivered on contract. Since close of fiscal yr. most of this has been shipped. Collections excellent, and owing to the heavy 1912 barley crop and lower price level, the Co. will probably avoid borrowing money.

Am. Smelt. & Refining.—*EARNINGS. Probable balance for yr., 11 or 12% on com. Increased divs. improbable, however, on account of extensive increase in plant. Co. has spent $1,500,000 on the Hayden Smelter, and is enlarging El Paso, Chihuahua, Murray and Tacoma Smelters, at expense of $2,000,000.

Am. Steel Foundries.—*EARNINGS. First half of Oct. showed business double last yr. and at better prices. For three mos. ending Sept. net earngs. were $507,904, increase of $466,180 over 1911.

Am. Sugar Refin. Co.—*PROFITS of Beet Sugar Cos. this yr. in which Am. Sugar has an investment of $31,000,000, will be moderate, but it is safely earning its common div. and a little over.—Tariff benefits only the Beet Sugar industry which would suffer severely from reduction. Am. Sugar as an operating Co. refines only cane sugars. If duty on Cuban sugars were halved, price of refined sugar would decline about the same, but parity between raw and refined would remain as at present and Co. would continue to get its refiner's profit. The Co.'s investment in Beet Sugar is chiefly in pref. stock, and it is unlikely that tariff revision will seriously jeopardize it.—NATIONAL SUGAR REF. CO.'S suit for cancellation of $10,000,000 com. stock has been practically settled out of Court. It is a victory for Am. Sugar, as instead of being a 25% minority stockholder, that Co. becomes a 51% majority holder of National stock. Thus Am. Sugar is rid of a possible rival. Adjustment of this case has avoided litigation, and simplified an embarrassing situation. (See National Sugar.)

Am. Tel. & Tel.—*EARNINGS AND DEPRECIATION. Big increase this yr. in allowance for depreciation.—8 mos. $22,251,630 against $18,090,175 last yr. increase of 23%. Evidently the management is not troubled as to earning power back of the 8% div. or it would not have increased depreciation. Gross earngs. increasing at rate of $18,000,000 a yr. Gross receipts 1912, will reach $197,000,000. This contrasts with $97,000,000 no longer ago than 1905. Toll line increase for the first time this yr. is as large as increase in regular exchange service. Bills payable have been cut down over $12,000,000 since Jan. 1. Not a dollar of floating debt owed outside the Bell System.—INSURANCE FUND. Pres. Vail announces fund of $10,000,000 for pensions, sick benefits and life insurance available Jan. 1, for the 175,000 employees, with families and dependents, or more than 250,000 altogether.

Atchison.—†GROWTH OF SYSTEM. A continuation of physical expansion and betterments may be expected every yr. For 1912, 332 miles of new road were added, 1911, 439 miles, 1910, 169 miles—total 940 miles in three yrs., mostly in Texas. This construction is as important as any since reorganization 16 yrs. ago. Cash on hand June 30, $41,906,233, largest amount in Co.'s history. Apparently new financing is not likely for some time. The absence of new convertible bond issues, together with growth of earning power, should favor the price of the stock.—*Additions, betterments, constructions, etc., last yr. $13,522,274 against $32,568,775 previous yr. Largest decrease was in amount spent for new equipment, which was $13,000,000 in 1911, and about $3,000,000 in 1912. By Jan. 1, Atchison will have 896 miles of double track, against 775 Jan. 1, 1912. Earnings. From present prospects, 1912 will be one of the best in the Co.'s history. Facilities will be taxed to capacity in moving the corn crop. New records may be established.

Atlantic Coast Line.—*EARNINGS have shown wonderful growth, enabling Co. to spend surplus for additions and betterments, keeping down bonded debt, and also increase annual div. rate from 5% to 7%. The Co. has agreement with Pennsylvania R. R. for making direct connection with Washington, Baltimore, Philadelphia and New York, and controls Louisville & Nashville through ownership of 51% of stock. Both Atlantic Coast and Louisville will profit largely by opening of Panama Canal. At. Coast unified 4% mortg. was created in 1909 to retire underlying bonds, certificates and other indebtedness. Only $6,167,000 now outstanding, but $81,000,000 authorized. These bonds will eventually become a 1st mortg. on the entire system, for raising money for all corporate purposes.

Automobile Industry.—†The automobile is largely responsible for the scarcity of skilled labor, as 100,000 mechanics are now employed on automobiles, and 827,284 automobiles are now in use. About 150,000 chauffeurs are employed to operate them, making 250,000 men drawn from other industries. Pres. Elliott of the No. Pacific attributes part of $1,835,060 decrease in passenger traffic last yr. to the automobile. There is now one automobile owned to every 90 persons in the Northwest.—*WILLYS-OVERLAND AUTOMOBILE CO. is being reorganized, with $2,900,000 new preferred stock and increase in common from $10,000,000 to $20,000,000. Preferred will be listed on New York Stock Exch.

Baldwin Locomotive.—*EARNINGS. Gross for 1912 will be about $35,000,000 against $29,342,000 in 1911. Co.'s earning 12 or 14% on com. against 9% 1911. Divs. only 2%. New York banker close to the property says, Co. is in a class by itself among equipment Cos., as the most compact and solidly organized, I believe it can pay 4% on com. even in the leanest yrs. and with prosperity much more.

Baltimore & Ohio.—†ADDITIONS AND BETTERMENTS. In three yrs., 1909 to 1912, gross earngs. have increased 30%, and net earngs. 18%, while per cent. earned on com. increased less than 1%. But over $16,000,000 out of earngs. have been put back into the property, 1907 to 1912, and in addition, funds for improvement of $94,752,674 have been raised from capital, and the interest charges increased nearly $4,000,000. This is largely responsible for apparent poor showing, but these expenditures constitute a valuable equity for stockholders, and the road is now in excellent physical condition.

Bethlehem Steel.—†EARNINGS. Foreign orders of about $15,000,000 booked. First half 1912 new business was $19,007,305, increase of 40% over 1911. Probable growth 1912, $35,000,000 to $38,000,000, which would break all records. Co. is expected to earn 15% on pfd. for current fiscal yr.

Brooklyn Rapid Transit.—*EARNINGS. For three mos. ending Sept. gross gained only $115,000, or at rate of $460,000 a yr. against $1,239,908 increase last yr. Aug. gain $98,000, July $28,000. First ten days Oct. gross increase $7,000 a day.—MERGERS. Public Service Commission has authorized consolidation of capital stock, franchises and properties of Brooklyn Union Elevated, Sea Beach Railway, and Canarsie Railroad, as New York Consolidated Railroad Co. Stock in the new property is to be exchanged at par for stock of the old Co.

California Petroleum.—*EARNINGS now show increase of 30% over previous 6 mos. and at a rate equivalent to over 10% on both com. and pfd. stock.

Canadian Pacific.—*DIVIDEND PROSPECTS. By keeping div. at 10% during next five yrs. Co. will easily have over $100,000,000 from income to develop its property, and with $200,000,000 from new securities, physical condition by 1917 would equal that of any U. S. property. One interest states, no change will be made in divs. until stock in process of payment this yr. becomes entitled to divs. This will be next Apr. Logically, it would appear that directors would not increase divs. until the $60,000,000 stock recently authorized is entitled to div. in 1914, but if earngs. continue to increase as during last few yrs. shareholders may receive a still larger proportion of profit than is now given them in cash div. Gross gain is now at the rate of $1,965,000 monthly. Proportional rate throughout the yr. would mean an increase of $19,000,000, which would give the Co. a total revenue this yr. of $142,000,000. Assuming operating ratio of 65% compared with 64.88% in 1912, and 64.77% in 1911, net earngs. will be $49,350,000 and surplus after charges $37,000,000, against $32,752,754 in 1912. This surplus is out of transportation alone.

Central Leather.—*EARNINGS nine mos. ending Sept. were largest in history and the last quarter exceeded second quarter by $445,000. Profits applicable to com. div. first nine mos. 1912 were at annual rate of 7% on com., and conditions indicate that current quarter will be fully as good. Dec. 31, 1910, bills payable were $16,540,005. Dec. 31, 1911, this was reduced to $6,721,739, and today, Co. is free from floating debt for the first time in yrs., and surplus cash is apparently in sight. The sharp increase in earngs. this yr. assures the safety of the 7% div.

Chesapeake & Ohio.—*VALUE OF CHICAGO EXTENSION. Last fiscal yr. Co. showed but small balance over 5% divs. as road was really undergoing reconstruction. The Chicago, Cincinnati & Louisville, acquired early in the yr. was in poor shape, curvatures and grades being sharp, and traffic could not be handled economically. Expense of improving this property was heavy, but hereafter the extension will be a valuable source of revenue. C. & O. freight cars now about 44,000 against 37,500 two yrs. ago; total capacity 1,950,000 tons, increase of 325,000 in two yrs. 1913 should be a highly prosperous yr. as traffic is moving freely. First three weeks Oct. miscellaneous freight on C. & O. increased $24,000; on Hocking Valley $36,000.

Chicago & Alton.—*ANNUAL REPORT. Freight revenue for yr. increased 1.05%; tonnage 6.74%. Principal decreases were in products of agriculture and of animals, due to light grain crop in Missouri, and high prices of feed. Principal increase was in soft coal. Improvements charged to capital account during yr., $260,655.—*Position of Co. not strong, as current liabilities exceed current assets by $4,145,464; but Co. is not now in need of funds, as $4,500,000 bonds were recently sold to Union Pac. interests.

Chicago, Burlington & Quincy.—*EARNINGS. For three mos. ending Sept. gross increased $1,288,000, and net $1,267,000. Co. earned its interest for the yr. in three mos. Oct. will set new high record.

Chicago & Western.—*PROSPECTS are best since Co. was organized. Crops tributary to its line, were never better, and general business increasing rapidly. Probable that losses of past yr. will be more than overcome and surplus for yr. ending June, 1913, largest since organization of Co. The work is now practically completed and the resulting economies should be important.

Chicago, Milwaukee & St. Paul.—†EARNINGS. Oct. will show balance for divs. to be at rate of 15% on com. Four mos. ending Oct. show rate of 13%.—*Earnings to date are remarkable. It was estimated that, in order to pay 6%, operating ratio of 74% and gross gain of 19%, would be necessary and few believed the Co. could achieve this. But returns for first quarter indicate that it will do still better, showing operating ratio of 65.1% against 75.4% last yr. If only ½ of this 10% reduction in ratio is maintained throughout the yr. requirements will be covered. But in addition gross increased over 17%. Co. will enter Dec. with 5% on com. more than earned, as 3.4% was reached Sept. 30.

Chicago & Northwestern.—†EQUIPMENT NOTES. Virtually decided that the $10,000,000 equipment trust notes recently authorized, will not be sold this yr. In recent weeks, $6,000,000 equipment has been delivered, but this has already been paid for. Order just placed for 500 more freight cars.—*PROSPECTS. For three yrs. net earngs. have declined, and last fiscal yr. were only 7.51% to meet 7% divs. Present outlook very favorable. In Sept. quarter, nearly 5 mos. div. requirements on com. were earned. Probable that six mos. to Dec. will show entire 7% div. for yr. Present indications for full fiscal

yr. 12% to 13% on com., a record not equalled since 1905. The Co.'s prosperity is founded on the crops. Its lines reach nine great grain states which have about 320,000 more car loads of grain to move than last yr., of which, C. & N. W. should net 20% to 25%. Estimated more than 12 mos. will be needed to move this yield, owing to physical limitations of roads. Treasury position is strong with $10,000,000 cash, after meeting recent divs., and big surplus apparently assured.

Chicago Pneumatic Tool.—*DIVIDEND PROSPECTS. Representative says that increase in present rate of 4% may occur next yr., but not probable in current yr. Amount available for divs. now is about 14% on stock or 25% on present price. At no time since organization has earngs. been so large.

Cities Service Co.—*PROSPECTS. Indications that 1912 will show largest returns since organization. For 12 mos. ending Sept. balance for com. was 9.03%. Since organization, earngs. have increased, and Co. is destined eventually to be a second American Light & Traction. Jan. 1 com. stock will be put on 5% basis. Evidently a substantial profit and loss surplus will be built up by the time divs. reach 6% per annum—Jan. 1, 1914. Large blocks of pfd. have been taken by London interests. Prospect of annual increase in com. divs. until 6% is reached, is decidedly helpful. Divs. on com. now 4%.

Colorado Fuel & Iron.—*ANNUAL REPORT. Increase of 14% in tonnage sales of Steel, but as smaller products, (about 30% of total), ruled at generally lower prices, there was not a corresponding gain in earngs., though ratio of increase in gross was maintained in the net. Yr's. output fairly represents capacity of plant, limited to open hearth department of 12 furnaces, and if increased demand proves permanent, 6 more open hearth furnaces will be constructed. Sales of heavy rails already made, will take output for current fiscal yr., and other orders will keep the smaller mills running well into 1913. Income account for yr. ending June, showed surplus above all charges, including sinking funds and pfd. divs. of $1,701,229. At special meeting it was decided to extend corporate life of the Co. and certificate was filed. Capitalization authorized is $46,200,000; outstanding, $36,235,000.

Colorado & Southern.—†EARNINGS. Since Burlington obtained control in 1908, Colo. & S. has, with exception of 1910, shown decline in earning power. Splendid advance was made 1901 to 1910, gross earnings increasing 3½ times, and net 5 times, from $1,286,780 to $5,914,526. In yr. ending June, 1912, gross was smaller than in panic yr. of 1908. Maintenance of equipment has increased slightly, but is far below average of other roads in the same territory, and is apparently lower for 1912 than 1911. It appears possible that the div. on com. may be in danger unless a radical and rapid improvement can be shown.

Corn Products.—*UNSATISFACTORY PROSPECTS, based on current earngs., there will probably be no change in div. rates for some time. Recent action of Interstate Commerce Commission, together with labor difficulty, has been a severe blow to the Edgewater plant, which may be discontinued. Operations there, now conducted at a loss, and management claims that under the recent decision of the Commission, plant cannot be operated at a profit. Earngs. current yr. will show no improvement. When present management took control, Co. was on the verge of bankruptcy, but through introduction of economies, has shown net profits, but less than the 7% requirement on pfd. One plan under consideration calls for drastic reduction in capitalization, to equalize property losses sustained when present management took hold.

Crucible Steel.—*ANNUAL REPORTS. Yr. ending Aug. earngs. on pfd. stock 13.70%, against 10.23% for 1911. Co. did as good business in proportion to size, as any Steel Co. in the country. As pfd. is 16% in arrears on divs., com. will not share for several years. Considerable construction is mapped out, including expenditures on the old Midland Steel Co. Expenditures for maintenance were $786,419 in addition to usual sum $500,000, for depreciation of parent Co., and $150,000 for subsidiaries. Bills receivable 1912 increased $1,300,000 over 1911, and substantially increased in cash. Working capital Aug. 31, $6,357,992, against $4,751,888, 1911.

Denver & Rio Grande.—†PROSPECTS. Earned only 2% on pfd. in 1912, against 4.75% in 1911. The road had more than its share of adverse conditions, but it is not probable that sufficient improvement will occur to permit pfd. divs., payment of which was suspended 1911, after ten yrs. at 5%. Cash advanced to Western Pacific now $11,752,915. Cost of $25,000,000 Western Pacific 2nd mortg. bonds owned by D. R. G. is $18,750,000. Denver's total investment in Western Pacific is therefore $30,552,915, without any interest return. Western Pac. earned last fiscal yr. $5,258,532 gross, but operation and taxes were 80.4%. Surplus available for interest was only $564,214, while requirements on $50,000,000 1st mortg. bonds in the hands of the public on which interest was guaranteed by D. & R. G. is $2,500,000 a yr. On $10,000,000 7% adjustment bonds issued last May, Denver will have $700,000 additional interest charges ahead of its stock. Interest on these bonds is paid only if earned, but is cumulative. Proceeds of these bonds are for needs of Western Pacific, including 1st mortg. bond interest, and for additions and improvement which are to be made on a larger scale than for several years.

Distillers Securities.—*OUTLOOK. Yr. ending June showed deficit after divs., $160,593, owing to short grain crops in 1911 and consequent high prices. Present outlook favors lower costs, owing to heavy corn yield. Whiskey prices are steady and increased profits should result. Favorable feature is large earngs. of subsidiary, U. S. Industrial Alcohol, which may start com. divs. soon.

Distillers Co. is in good shape financially, with surplus of $6,000,000.

Equipments Companies.—*CAR ORDERS largest since the boom began. Last week showed 15,500, and inquiries for 30,000 more, deliveries latter part of 1913. Car manufacturers are assured large business well into next yr. Orders for three mos. have averaged over 25,000 monthly, and Oct. will exceed this figure.

Erie.—*DOUBLE TRACKING. The $10,000,000 double tracking now under way is disturbing movement of traffic and increasing operating expenses, owing to large number of work trains and transportation of Co.'s materials and supplies. When the 241 miles of double track and other improvements are completed, great operating economies are made possible, and double track will be continued. Importance of these improvements can hardly be over-estimated, but they interfere with earngs. temporarily.

Federal Mining & Smelt.—*ESTIMATED PROFITS Sept., $87,000 above charges, which is $27,000 over pfd. div. requirements. Co. mined 836,947 tons of ore last yr., increase over previous yr. of 52,347 tons, but net profits were $895,429, or $345,686 less than previous yr. Balance for com. was 2.7% against 6.7% preceding yr. Question of putting pfd. stock on 7% basis against present rate of 6%, is likely to be deferred.

General Electric.—*GROSS SALES for 9½ mos. have been at rate of $83,000,000 annually, against $69,851,275 for 1911, increase of 18%. Total new orders $12,000,000 above best previous record. This is due to recent merger into the parent organization of Fort Wayne, and Sprague Electric Cos., and various subsidiaries of National Electric Lamp.

General Motors.—*EARNINGS last yr. 5½ times interest charges compared with 5 times in 1911. Sinking funds have cut down funded debt from $15,000,000 to $11,922,000, and Oct. 1, 1913, $2,000,000 more of 1st lien notes will be retired. Prospects are now the best since organization. Co. can dispose of all cars the factories can turn out. Deliveries last few weeks about 800 cars weekly. The Co. has accumulated reserve fund of $4,299,471, most of which represents allowances for depreciation.

Great Northern.—†LOW OPERATING RATIO for which Co. has always been noted and which for many yrs. averaged below 50%, was 57% 1912, against 61.38% in 1911. In last ten yrs. $44,280,199 have been put back into the property from earngs., while capitalization has increased very little.—*There is record-breaking output of iron ore along Co.'s line on account of the boom in the steel business. Ore tonnage now running over $1,000,000 monthly. Official estimates place 1913 earngs. on stock at 12%, against 10.3% for 1912.

Green Bay & Western.—*POSSIBLE CHANGE OF OWNERSHIP. Reported that Newman Erb has inspected the property with view to acquiring it for Minneapolis & St. Louis, and has acquired option on a substantial block of stock, having already made payment on account of the option. This road runs from Green Bay to Marshland, Wisconsin, 209 miles, and has $2,500,000 stock.

Illinois Central.—*GOOD EARNINGS. Aug. and Sept. gross biggest in history of Co. and Oct. will show $500,000 increase over any previous Oct. Because the Co. originates 80% of its freight, it owns a very large number of cars. With 23,000 whole cars, it cannot command more than 7,000 at any one time, the rest being in use on other lines. Order for 6,000 additional coal cars pending, a serious shortage will probably be avoided.

Interborough Rapid Transit.—*PROSPECTS. In three mos. ending Sept. Co. had deficit of $151,010 after 2½% div., against deficit of $466,324 in 1911. Expected deficit will be made up by Nov. July and Aug. are always poor mos. Sept. showed gain of $68,842 in gross, with gain of 1,489,964 in passengers carried. In first quarter of fiscal yr. subway and elevated lines of Interborough system carried 26 times the population of Greater New York. Three mos. surplus for divs. $723,990, against $408,676 last yr. Notwithstanding increase in gross, operating expenses decreased $33,980, operating ratio being 44.14% against 46.53% in 1911. Co. is saving 70% of gain in gross for net, which, for a full yr., would mean about 21% on stock.

International & Gt. Northern.—*DIVIDENDS. July last Co. declared initial div. of 1% on pfd. When Co. was reorganized Sept., 1911, the syndicate which underwrote the securities, took $11,000,000 three-yr. 5% notes and $3,400,000 pfd. stock. A condition of this affair was that divs. of 5% will be paid on the pfd. stock. For 9½ mos. ending June the Co. earned the full 5% on its pfd. and 8.5% on participation certificate representing the com., of which $6,500,000 are outstanding.

International Harvester. — *TRADE PROSPECTS. Third quarter of 1912 was largest in Co.'s history, at rate of $112,000,000 for yr. against $108,749,167 for 1911. At this rate, 1912 net, after all costs, repairs, maintenance, improvements, reserve and interest will be $16,500,000 against $15,521,397 for 1911. Except for government suit against the Co. div. on com. would be raised to 7%. Present earngs. on com. about 12%. If the Co. were more sparing in depreciation and renewal charges, com. would show 18%. Cash in treasury exceeds $25,000,000, about the largest on record. Foreign trade gains steadily, and now equals 40% of totals, having increased from $10,400,000 in 1902 to about $46,500,000 in 1912.

Inter. Mercantile Marine.—*EARNINGS. Gross for third quarter was largest on rec-

ord. At the same rate, net for the yr. would be about $8,500,000. Passenger business has been satisfactory and freight revenues far exceed last yr. Large amount of I. M. M. securities are held in France and Holland, particularly collateral trust bonds and pfd. stock. On the pfd. 60% back divs. are due. Foreign holders believe that before expiration of voting trust, Oct. 1, 1917, action will be taken for payment of matured divs. and that the pfd. will be put on 6% basis.

International Steam Pump Co.—*DECREASED EARNINGS. Yr. ending Sept., 1911, showed marked decrease in net and yr. just closed, although showing improvement, will not approach the good yrs. before 1908. Continued low prices and increase in cost of materials and labor, are responsible. Labor costs has risen 12% to 15% since Jan. 1, and raw material 30%. During 1912 the Co. has gone after foreign business, opening branch offices in Mexico City and good foreign business is reported. Advance purchases of pig iron have been made to cover 1913 aggregating 50,000 tons at about $1.50 under present market.

Kansas City, Mexico & Orient.—*RECEIVERSHIP TO HAND. Inspection of line is being made by the English syndicate and will probably result in ending of receivership and completion of system. London interests state road will probably be reorganized by Christmas and are confident that $15,000,000 needed to complete the system will be raised. There will be no further work on the road in Mexico until peace is assured. At present 950 miles are completed from Kansas City to Chihuahua.

Kansas City Southern.—†STABILITY OF DIVIDENDS. Net for fiscal yr. showed loss of over 27% compared with previous yr., but pfd. divs. at 4% were earned with $46,000 to spare. Confidence in stability of pfd. divs. has now returned. First quarter of current yr. gross increased 15% and net 37%. Nearly all this gain has been carried to balance for divs. Further large increases are expected because of greatly improved business conditions.

Laclede Gas.—*EARNINGS. Notwithstanding reduction in price of Gas Apr. 1, 1911, earngs. nine mos. ending Sept., 1912, showed substantial improvement at 5.56% on the com. stock compared with 5.30% previous yr. Including allowance for depreciation, per cent. earned would be 7.36 against 7.09% last yr.

Louisville & Nashville.—*STOCK INCREASE. In connection with increase from $60,000,000 to $72,000,000, an issue of $12,000,000 new stock at par, Henry Walters, chairman of the Board, says: "Of extraordinary expenditures heretofore authorized by the Board, there remain uncompleted items which aggregate a total cost of $40,000,000. From surplus earngs. and sale of bonds, $23,000,000 has already been supplied, leaving a balance of $17,000,000 to be provided as work progresses during next two yrs." If $4,536,000, cost of new N. C. & St. L. stock to which L. & N. is entitled to subscribe, is added to this balance, total uncapitalized amount is nearly $10,000,000. (See Nash., Chatt. & St. Louis.)

Mexican Petroleum.—*DIVIDEND declared $1 a share on com., payable Nov. 24, to stockholders of record Nov. 10.

Minneapolis & St. Louis.—*EARNINGS. Gross first four mos. of fiscal yr. increased 22.9% over last yr. Co. earned the full 5% on the pfd. in first four mos. of current fiscal yr. Until two yrs. ago pfd. had paid divs. steadily for 10 yrs.

Minneapolis, St. Paul, Sault St. Marie.—*GRAIN MOVEMENTS. Soo line will move about 10,000 cars of grain in Oct., a new record. Expects to handle 50,000 cars of grain from this crop against 40,000, previous high record, in 1909. The line is free from congestion or car shortage, but it is becoming difficult to take care of the business.

Missouri, Kansas & Texas.—†EARNINGS. Although annual report showed but a fraction of the 4% on pfd. earned, there has been a considerable increase in earngs. since June. In July and Aug. net increase $530,000, more than covering last yr.'s entire deficit. Current fiscal yr. will show continued increases with probably about 2% earned for the common.

Missouri Pacific.—†RESULTS OF NEW MANAGEMENT. This Co. operating over 7,000 miles in a rich, rapidly growing section, is an interesting study. Though doing gross business of over $50,000,000 a yr. it fell within four yrs. from 5% div. to a failure to earn its obligations by over $5,000,000. Price of the stock formerly above par, fell to 28½ in 1908. This was apparently due to slack management and financial policy. In 1911 strong interests took control and B. F. Bush was elected president. In fiscal yr. ending June, 1912, most large systems recorded but little gain; but Mo. P. showed gain of $1,726,000 in gross and saving in operating expenses of over $2,000,000. Chief saving was in transportation and general expenses. Over $9,500,000 were spent in addition and betterments during the yr. About 4,300 cars were added or 10% of total first of yr. A start has been made in the right direction and with 7,000 miles from St. Louis to Omaha, Colorado and Gulf of Mexico, no system has greater possibilities. The change in policy is beginning to tell. Gross first three mos. of present yr. gained $2,179,000, and net $1,694,000, the latter being an increase of over 100%. At this rate, last yr.'s deficit will be wiped out in another mo.—*Deficit of $6,051,115 for 1911 was mostly due to adjustments of old items charged off so as to put finances on a sound basis. Early mos. of present fiscal yr. show expanding

gross and lower operating costs. (See St. Louis, Iron M. & So.)

Nashville, Chattanooga & St. Louis.—† INCREASE IN STOCK from $10,000,000 com. to $16,300,000 is on basis of one new share for every 1.59 shares held, making rights worth theoretically $3½. The line is in splendid physical condition.—*Last fiscal yr. surplus for div. was 13.96% on outstanding $10,000,000 stock or 8.56% on new total of $16,300,000 stock. Louisville & Nashville, which controls majority of present stock, will be entitled to subscribe to $4,521,888 of new stock. About $6,300,000 7% bonds will be extinguished when the new stock is issued. (See Louisville & Nashville.)

National Biscuit. — *EXTRA DIVIDEND. Best opinion that no extra div. will be declared. Earngs. are slightly in excess of last yr. or about 10% on the com. Officials had expected a larger increase but competition of Loose-Wiles Biscuit Co. is probably being felt. Co. has no bond or mortgage indebtedness.

National Enameling and Stamping.—*GROWTH OF CO. Volume of new business growing rapidly. Each mo.'s record exceeding the last by a large margin. Operations at all plants are at full capacity and difficulty is experienced in meeting orders. Several plants booked ahead over six mos. Now certain that gross receipts will be larger than any previous yr. Fiscal yr. changed to end Dec. 31. An extra report will cover July 1, 1911, to Dec. 30, 1912.

National Lead.—*PROSPECTS. Present prosperity of Co. is due to lower price of linseed oil, resulting from flaxseed yield of 29,000,000 bu. against 19,000,000 last yr. Balance for com. 1912, will probably be 6%. Co. is making important additions and improvements out of earngs., thus increasing assets. Increase in div. rate unlikely, owing to conservatism of management. The Co. has no funded indebtedness; surplus about $5,000,000.

National Sugar.—RETIREMENT OF PFD. STOCK, $10,000,000 6% cumulative, at par, with cash from treasury, has been decided on. In its place, $10,000,000 stock with no fixed div. rate will be issued and offered to old shareholders at par. Old pfd. will probably be paid off Jan. 2. This action is a result of the suit in which the $10,000,000 com. was declared invalid because given to the late H. O. Havermyer without adequate consideration. The Co. is now controlled by Am. Sugar Refining. It has never issued a public statement of earngs. but the pfd. always paid 6%. (See Am. Sugar Refining.)

New York, New Haven & Hartford.—† ANNUAL REPORT of entire system makes better showing than railroad alone. Railroad showed deficit of $929,989, while the whole system had a surplus of $305,835. New equipment of $3,389,163 was purchased. Most important new construction was New York, Westchester and Boston, recently put in operation, and extension of electric zone Stamford to New Haven. Railroad has operated at a loss four yrs., and total surplus for eight yrs. is only $2,140,898, but the whole system had a deficit only once and shows total surplus of $8,176,436, of which $3,000,000 went to improvements and betterments, $3,533,022 to various funds and $1,643,414 to profit and loss.—*FIRST QUARTER'S EARNINGS were at rate of about 9½% on stock, net gaining 20% over preceding yr. and gross 10%. This equals full proportion of div. requirements and $1,500,000 to spare. Freight revenue gained 17%, Oct. gross earngs. increased 10.8%.

New York Railways Co.—*EARNINGS. Net for three mos. ending Sept. was $1,251,395, with balance of $514,488 over interest charges. Passengers for three mos. 67,247,925. Co. will probably pay 2¼% on adjustment income 5's for six mos. ending Dec. 31, making 3% for the yr. It is predicted that next yr. Co. will pay the full 5% on these bonds.

N. Y. State Railways.—*BOND SALE. Speyer & Co. have bought $6,925,000 50-yr. 1st cons. 4½% bonds, series A. This Co. formed Mch. 23, 1909; owns leases and operates electric railways and interurban lines; allied with N. Y. Central, which owns $13,600,000 of about $19,900,000 com. stock.

Norfolk Southern.—*NEW INTERESTS. Recent entrance of W. E. Corey, F. A. Vanderlip, R. R. Colgate, Jos. W. Harriman, R. H. Swartwout and others, to the Board, promises strong backing and aggressive policy. Further extension probable and eventually it is believed Co. will reach out into Georgia, Alabama and Florida. Traffic past five yrs. has increased more than other lines in same section, gross for 1912 being 11% in excess of 1911. Balance for div. was 3.67% on stock against 3.81% last yr.

Northern Pacific.—*INCREASED COMPETITION. Surplus after divs., yr. ending June, was the smallest since reorganization of Co.—$2,303,814 against $3,082,266 in 1911, while 1907 showed $12,623,929. Earngs. on stock were 7.92%. In 1911 and 1912, Puget Sound extension of St. Paul deprived Nor. Pac. of 13% of its gross. Record of Nor. Pac. after this shows sound financial structure of the road, as notwithstanding this heavy loss, it earned regular divs. with a reasonable balance to spare. Last yr. Co. spent $7,090,272 on additions and betterments compared with $7,998,106 previous yr. Advances to control the Cos. now total $22,655,563.

Pacific Telephone.—*FINANCING. Understood arrangements have been made to pay off the $5,000,000 two yr. 5% coupon notes maturing Jan. 5. Co. also has $750,000 1st mortg. 6% bonds of Sunset Tele-

phone & Telegraph Co., maturing July 1, 1913, which will be taken care of by the sinking fund. Also $2,250,000 Sunset Tel. & Tel. Co.'s mortg. 5% bonds, due 1929, are callable Oct. 1, 1913, at 105, and it is believed Co. will exercise this option. These bonds are now selling above 104. With these two underlying issues out of the way, the $35,000,000 Pacific Tel. 5's will be an absolute first and closed mortgage on all property of the Co., which will then be one of the strongest telephone cos. financially on the Pacific coast.

Pennsylvania R. R.—*EARNINGS. To end of Sept. Co. earned about $30,740,000 for its stock, and if last quarter 1912 is no better than last yr., full yr. will show at least $41,000,000. Further income will be available from the Penn. Co., all of whose stock is owned by Penn. R. R. Penn. Co. pays 7% div., with surplus last yr. of over $4,000,000, which really belonged to Penn. R. R. This yr. Penn. Co.'s surplus, after divs., will be over $5,000,000, even after heavy increase in maintenance. Hence total earngs. of Penn. R. R. may be considered about $47,000,000, with which to pay $26,233,000 in divs.

Peoples Gas.—*MAY BE ABSORBED. Rumored that Illinois Northern Utilities Corporation will absorb Peoples Gas, and that Ogden Gas will issue two collateral 4% bonds for every share of Peoples Gas, making $70,000,000 collateral bonds, and the Utilities Corporation will then take over both companies. Peoples Gas has perpetual franchise in Chicago.

Pere Marquette.—*MORGAN CONTROL. J. P. Morgan & Co., holders of $11,000,000 of com. stock, have put Mr. Felton in charge of operation. Co. has done increasing business for some yrs., but large operating ratios made receivership inevitable. Morgan & Co. hold whip-hand in any reorganization, but large New England ownership of pfd. stock would be recognized. Definite plan will be delayed until earning power has been demonstrated under proper operating conditions.

Pressed Steel Car.—†POSITION OF COMPANY enables it to benefit by present large equipment business. Co. has paid off all its serial bonds and is now without debt; has largest facilities, and now has estimated capacity of about $50,000,000 gross business a yr. In 1907 Co. earned 13% and in 1906 17% on com., even with over $2,000,000 bonds outstanding.

Pullman Co.—†LABOR CONDITIONS. Official states that last yr. it was difficult to get orders to keep 5,000 men at work, but now, with over 10,000 on payrolls, capacity is sold so far ahead that 15,000 could be employed if available.—*DEVELOPMENT OF CO. Pullman showed 10.7% gain in net last fiscal yr., through increase in gross and decrease in expenses. Total income broke previous record. Increase in depreciation allowance over 1911 was 53.1%. Within two yrs. book value of plant has increased $26,160,352, or 34.8%, and working capital by $3,295,560. Co. owned and controlled 6,229 cars at beginning of fisc. yr. against 4,742 three yrs. ago.

Reading.—*EARNINGS. First quarter of fisc. yr. Reading had largest surplus on record, $3,840,727 after fixed charges, an increase of $2,749,990, and exceeding best previous Sept. quarter by $850,000. Should Co. merely hold its own, remaining nine mos.' earngs. on com. will exceed 15%. The three mos'. gain of $2,750,000 equals 3.93% on com.

Republic Iron & Steel.—*PRODUCTION in Oct. was at annual rate of over 1,000,000 tons pig iron and 900,000 tons steel, which is close to theoretical capacity of Co. Oct. orders showed increase proportionate with that of U. S. Steel Corporation. In past seven yrs. Co.'s plants have undergone a complete change, from iron and iron products almost exclusively, to steel manufactures, while production has been going on. This has been done largely out of earngs. With modern methods and machinery, Co. can produce as cheaply as any steel plant in the country. Its excellent organization at present time is largely responsible for phenomenal increase in earngs. last six mos. With resumption of regular quarterly pfd. div. Jan. 1, arrears are only 5¼%.

Rock Island Company.—†DIVIDENDS. From showing last fisc. yr., divs. on pfd. stock of Rock Island Co. (the holding Co.) are not in sight. The operating Co. earned 5.13% on $75,000,000 stock against 7.26% previous yr. Rock Island Co. owns $71,339,500 stock of C. R. I. & P. R. R., and last yr. received $3,567,441 in divs. Other income brought total up to $3,591,677. After paying expenses, taxes, and bond interest, balance applicable tax on R. I. Co.'s pfd. stock was $273,384, or 54c. a share on the $49,947,400 stock. The operating Co. disbursed nearly all available income in divs., balance to profit and loss being only $106,636.

Seaboard Air Line.—*POSITION OF CO. Since 1908 bonded debt has increased only $16,424,000, while equipment obligation decreased $1,300,000. Book value of property has increased $26,715,000, with actual increase in efficiency and facilities of many times that amount, as the larger part of improvements in the past five yrs. have been charged direct to current earngs. and maintenance expenditures have increased steadily. Improvements still necessary will take about $5,000,000 in next two yrs. In past five yrs. traffic has increased over 50%.

Sears-Roebuck.—*POSSIBLE MELON. Large stockholder says melon, when it comes, will be at least 33%. Co. now has on its books over 7,000,000 customers who have bought something within a yr. Oct. earngs. 68.3% over Sept. Yr.'s gross will be over $75,000,000, against $64,112,000, 1911.

Sloss-Sheffield Steel & Iron.—*BUSINESS PROGRESS. Last yr. showed deficit of $64,351 after pfd. div. First ten mos. of this yr. will wipe out this deficit and leave a small margin for the com. The Co. has all the business it can handle, with a monthly output of about 35,000 tons, and five out of seven furnaces in operation. Improbable that divs. will be resumed on the com., as directors are conservative and a large amount of money is going back into the property.

Southern Railway.—*ANNUAL REPORT for yr. ending June showed over 3% on com. and demonstrated wonderful recuperative power. Gain in gross was about $3,250,000, and in net $600,000 over 1911. Cash balance was over $13,000,000, which is more than enough to pay the outstanding note maturing Feb. 1, 1913. Working assets $32,600,000, or about $7,000,000 more than 1911. The report is the most favorable in the history of Co.

Standard Milling.—*GROWTH OF CO. Fisc. yr. ending Aug., Co. earned 9.8% on pfd. stock, which would permit 5% divs. on pfd. and 2% on com. Surplus now $3,622,357 against $3,375,969 last yr.; working capital, $270,000. Last yr. was largest in history.

St. Louis, Iron Mountain & Southern.—*EARNINGS. For fifteen yrs. this road has stood between Missouri Pacific and bankruptcy, contributing to parent Co. 90% of divs. paid. Yr. ending Sept., Iron Mountain's net was $2,541,000 and Missouri Pacific $1,802,000. Decline of $57,950 in other income resulted from failure of Wabash to pay interest on refunding 4% bonds, of which Iron Mountain owns $2,913,000. Also owns $23,703,000 second mortg. bonds of Texas & Pacific, on which there has been no return since 1908, and $5,652,400 Wabash stock on which no divs. were ever received. Last yr. the Co. received less than 1.3% on its investment in other properties. (See Missouri Pacific.)

St. Louis & Southwestern.—*PROSPECT OF COMMON DIVIDENDS. In view of rapid growth, many expect divs. on the com. next yr. Yr. ending June, balance for com. was about 3¼%. Surplus for div. was $400,000 over 1911. Maintenance expenses were reduced 18% on way and structures, but increased 5¼% on equipment. Additions and betterments were $2,892,102 for the yr. Property is in good physical condition and in shape to care for the large tonnage offered.

Texas Co.—*DIVIDEND PROSPECTS. Net earngs. are larger than last yr. and would seem to justify 8% divs. Prices of all products are higher than for several yrs., while cost of handling business has been reduced, mainly through development of new business territory.

Third Avenue.—*PURCHASE OF NEW YORK CITY INTERBOROUGH STOCK (13,560 shares) was authorized by Public Service Commission. This will give Third Ave. total of 42,210 shares out of 50,000. Co. also intends to buy $259,000 1st mortg. bonds additional, which would leave only $30,000 held by outsiders. N. Y. C. Interborough was organized to build feeders to subway and elevated lines in the Bronx, and has never paid divs.

Toledo Railways & Light.—*REORGANIZATION plan has been agreed upon. Stockholders have privilege of paying $7.50 a share, receiving $7.50 in pfd. stock and $43 in com. stock of new Co. If they do not pay the assessment, they will receive $13 in new com. stock for each $100 old stock. Bondholders will waive five yrs'. back interest and take pfd. stock in the new Co. par for par in exchange. Turning the property over to Utilities Improvement Co. to be operated by Doherty Operating Co. may be one of the best moves in reorganization.

Twin City Rapid Transit.—*EARNINGS. Balance for com. for nine mos. equals 8.43% against 8.42% last yr., or at annual rate of 11.16%. This indicates liberal balance over div. this yr., as for some yrs. past.

Underwood Typewriter.—*PROSPECT OF DIVIDEND INCREASE. Net earngs. for 1912 will be about 40% over 1911, or $1,800,000 against $1,277,000 for 1911 and $770,000 in 1910. Plants are operating at capacity, and contracts extend far into next yr. Stated that the Co. will increase div. rate next yr. from 4% to 6%. This increase was expected at Nov. meeting, but it was decided to close up 1912's business first. Present profits are five times pfd. div. requirements, or 15% on com. after pfd. div.

United Fruit Co.—*LESS COMPETITION is now met from Atlantic Fruit & Steamship Co., which has lost so heavily that it is now facing reorganization. United Fruit net earngs. for yr. ending Sept. about $200,000 over 1911. Net profits from sugar were nearly four times those of 1911.

United Light & Railways.—*EARNINGS. Three mos. ending Sept. showed a gain in gross of 9¾%, in net 13½%, and 30½% in surplus over charges. Balance for com. is at the annual rate of about 9.4%.

U. S. Light & Heating Co.—*NEW ORDERS received for over $5,000,000 worth of automobile equipments. Directors said, "This branch of our business should prove highly profitable and one of continued growth. Over 200,000 new automobiles are turned out annually in this country. Contract for heating and lighting systems in Pullman cars is permanent, as there are several thousand cars yet to be equipped, and Pullman Co. turns out two or three new cars daily. Order from New Haven R. R. was a good one, and may result in further orders for installation of our system on cars of Boston & Maine."

U. S. Smelting.—*PRESIDENT SHARP SAYS: "We are now producing from three mines between 60,000 and 65,000 tons of coal per mo., and by the time our road is completed we should be in position to ship at rate of 1,000,000 tons per an. The experts tell us that we have in this coal property at least 150,000,000 tons of coal. The seam varies in width from 20 to 30 ft. and will require no timbering. Within five yrs. I hope to see our output up to 3,000,000 tons. It has been estimated that the profit on this tonnage should carry out $10,000,000 investment, as well as yield profits substantially equal to present pfd. and com. divs." This refers to additional $10,000,000 investment, about half for construction of ninety-mile railroad from mines to Union Pacific and Denver & Rio Grande roads at Provo, Utah. Co.'s net earngs. for Oct. were nearly $400,000. Annual net before depreciation is at rate of about $5,500,000, from which Co. will deduct about $1,000,000 for depreciation, new construction, etc. Co. is paying $3 in divs., but earning nearly three times as much.

U. S. Steel.—†EARNINGS FOURTH QUARTER will probably be $35,000,000 net, increase of about $5,000,000 over third quarter. Total net for 1912 should be about $108,000,000, which would leave surplus above depreciation, divs., bond interest, constructions, etc., of about $5,500,000. Depreciation charges this yr. will be about $23,000,000, allowing $6,200,000 for last quarter. This would be largest depreciation since 1907.—*Unfilled orders Oct. 31, 7,594,381 tons against 6,551,507 Sept. 30, and 3,694,328 Oct. 31, 1911.

Virginia Iron, Coal & Coke.—ANNUAL REPORT for yr. ending June shows deficit of $373,040, about the same as for three preceding yrs., owing to low prices. Co. owns about 120,000 acres of high-grade coal lands and to date less than 100 acres have been developed. Co.'s coal property has increased in value 16% in the last seven yrs. and funded debt has been reduced from $7,600,000 to $5,275,000.

Virginian Ry.—*ANNUAL REPORT shows deficit for yr. ending June of $748,400. Large reduction in fixed charges became effective May 1, in connection with sale of $25,000,000 new 1st mortg. bonds, retiring floating debt and equipment obligations. Excess of income last yr. over present interest charges was about $392,000.

Wabash R. R.—†ANNUAL REPORT shows results of six months' receivership. Property was run down so that $14,000,000 5% receiver certificates were issued for maintenance, which swelled fixed charges. Report does not include interest on first refunding and extension bonds, Jan. 1 to June 30, amounting to $642,040, hence real deficit would be $2,864,597. Total profit and loss deficit, $8,041,580. Position of Co. is very weak from stockholders' point of view, but receivers are taking a wise course in building up the property.—*Oct. gross was 13½% over 1911, heaviest business in Co.'s history. About 60 miles of new double track will be operated from Nov. 1, and other stretches later.

Westinghouse Electric & Mfg. Co.—*ASSETS. Co. owned $1,700,000 stock of Canadian Westinghouse, and values it at $100 against market price of $140, making $700,000 additional surplus. Com. stock of all European Westinghouse Cos. are given book value of $1, but increase in electrical manufacture in Europe will in time give these stocks considerable value. All these Cos. are more than paying their way. The four principal Westinghouse Cos.—Westinghouse Electric, Westinghouse Machine, Union Switch and Signal, and Westinghouse Air Brake are employing in Pittsburgh district 24,000 people against 17,600 last yr.

Western Union.—†COOPERATION with American Tel. & Tel. and interchange of messages, with establishment of telegraph letters, have increased gross earngs. from $35,478,793 in 1911 to $41,661,439 in 1912. All earngs. above present 3% div. will be carried to reserves. Expenses and taxes increased from $30,053,631 in 1911 to $36,063,836 in 1912. Salaries and wages increased 19.9%.—*Present plan is to build up a reserve of about $25,000,000 before increasing divs. In the 2 mos. that the Co.'s reduced press rate cables have been in force, receipts have increased 200%.

Wheeling & Lake Erie.—*REORGANIZATION PLAN as now tentatively drawn up makes market value of Wheeling 1st pfd. only $23.90 a share, or $12 under market quotation. Wheeling stocks will not be assessed, but will be given option on additional securities on cash payments. Actual distribution in reorganization, exclusive of option, will give new stock approximating $18 market value for first pfd., $14 for 2nd pfd., and $10 for com. Market value of additional securities on exercise of option and payment of cash, $5.90 for 1st pfd., and pro rata for 2nd pfd. and com. Any attempt to assess Wheeling shares will be fought by minority interests, who contend that the road should have been taken out of receivership mos. ago.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Anaconda - Amalgamated.—*Directors of the Amal. Co. at their meeting had before them earnings statements of Anaconda—now the sole operating Co.—showing Amal. to be earning on the present price of copper very nearly $11 per share. As Amal. has in its treasury two shares of Anaconda for each of its own outstanding shares—the exact proportion being 3,132,500, and 1,538,879—it is easy to see that Amal. can continue to pay $6, so long as Anaconda is earning over $5 per share. These earnings are figured on an output of 280,000,000 lbs. of copper per ann., a cost of 9½c., and selling price of 17¾c. One closely identified with Anaconda-Amal. interests says: "There is no reason why stockholders in Anaconda should not expect to receive divs. above present $3 rate, in view of fact that Co. is today earning $10,000,000 above the $3 div. requirements.

Bonanza Mines.—*Controlled by the Kennecott Mines Co. have paid another $2,000,000 div. on $2,500,000 capital. The first return on the big investment made at the property, and the costly Copper River R. R., was early this yr., amounting to $1,000,000. Two divs. paid to date total $3,000,000 or $500,000 in excess of capital Thus far the Alaska property has extremely high-grade copper ore available for shipment, while in addition, the five-cent advance in metal prices during 1912 has been a most important factor. Up to first of Oct., there had been shipped from Alaska 24,000,000 lbs. copper, the Bonanza mines contributing the bulk.

Calumet & Arizona.—*For some time the net cost of Cal. & Ariz. copper has been under 5c. per lb., making the lowest cost copper in the world, and at present rate of production of slightly over 50,000,000 lbs. per an. Co. is earning at rate of $6,500,000 per an. or better than $10 a share. A prominent director says that he expects a 6% rate at the div. meeting, which will be held about Nov. 26.

Calumet & Hecla.—*The estimated production of refined copper of the Co. and its subsidiary Cos. for Oct. is 11,089,012 lbs. compared with 10,327,071 lbs. in Sept., 10,780,004 lbs. in Aug., 10,455,387 lbs. in July and 10,676,411 lbs. in Oct. a yr. ago.

Chino.—*Based on estimated cost of 6.1c. per lbs., and gross copper production for Sept. of 3,549,862 lbs., Co.'s earnings were at rate of $4,700,600 or $5.40 per share of stock. With entire plant operating, and the assumption of no increase in production, earnings should amount to $7,800,000 per an. or $9 per share. Providing present plans are carried out, Co. will be placed among the list of div. payers before the end of current yr. The directors are scheduled to meet for div. action about the middle of Dec., and from trustworthy sources, it is learned that the div. of $1 a share, or at the rate of $4 a share per an. is not improbable.

East Butte.—†Co. has resumed sinking shaft, which will be 800 ft. deeper than present lowest working. Some of best ore yet mined comes from the 1,200-ft. level, the average value being about 10%. The grade of ore on 800 level is 7%, and production will be maintained around 1,225,000 of copper a mo.

Goldfield Consol.—†Oct. 30 Co. will complete its fiscal yr. Co. has been forced to cut divi. from $2 to $1.20 a yr. and earnings have fallen below even the reduced divi. requirements. It is evident that if net profits do not improve, another cut in the divi. is inevitable. Pres. Wingfield stated that Co.'s policy would be to pay divs. from earnings as they accrued, retaining cash reserve of not less than $1,000,000. The yr. now closing, Co. has had to draw heavily upon its surplus, and Co. must be close to the $1,000,000 mark, if not already encroaching upon this sum. With payment of divi., Oct. 31, Co. will have disbursed a total of $23,838,000 in exactly five yrs.' time. Co. has declared the regular quarterly divi. of 30c. a share on its stock.

Granby.—*The annual report was important, mining of 721,719 tons of ore and placing in reserve as much ore as taken out. Official announcement that earnings are at rate of $100,000 per mo. Official announcement of 5,000,000 tons reserves in the Hidden Creek property, which will net 40 lbs. of copper per ton as against only 18 lbs. at the Phoenix properties. The Hidden Copper property to date stands the Granby Co. $979,000, whereas the liquidation of its 5,000,000 tons of ore at present prices would indicate profits of $20,000,000. The issue of convertible bonds will probably be resorted to, as it will result in the immediate payment of divids. (for Co. must be earning $10 a share), and were improvements paid for out of earnings now, it would mean that stockholders would have to go two yrs. without divs.

La Rose.—†For first 9 mos. of 1912, to Oct. 1, production amounted to 2,033,314

ozs., with a total gross value of $1,249,419, and net of $1,269,586. Expenses $580,791, leaving a profit of $688,791. As a result of earngs., Co. has accumulated a surplus of $1,771,666, or $1.18 a share. Of this amount $1,405,401 represents cash in bank, and remainder, ore shipments and ore on hand. Reserves as of Dec. 31, 1911, were 4,250,861 ozs., having a gross value of $2,465,499 and net value of $1,643,938. These figures were based on silver at 58c. an oz. The present price of 63c. means additional net profit of 5c. per oz. on mine's production.

Mason Valley.—†In Oct. Co. treated 27,319 tons of ore producing 1,646,000 lbs. of copper. Shipments during mo. 1,726,000 lbs. Based on Oct. production, Co. is turning out at rate of 19,750,000 lbs. per ann. The Mason Val. Smelter began operating in Jan., 1912, and since that has produced over 13,000,000 lbs., the greatest made by the Co.

Miami.—†Co. gives production of copper for first 20 days of Oct. at 1,887,150 lbs. If this rate is maintained for mo., production will be 2,920,000 lbs. This compares with Sept., when 2,949,000 lbs. were produced. At above rate, Co. is turning out about 35,000,000 lbs. per annum. At present price of copper metal of 17¾c., Miami is earning in excess of $3,000,000 per ann., or $4.10 per share on the 748,235 shares of stock.

Nipissing.—*Co. today is paying its 27th consecutive divi., calling for distribution of $450,000. Since July 20, 1906, the total divi. aggregate 151½%, equal to $9,090,000. This showing is extraordinary, as during the six yrs. of Co.'s existence it has returned to its stockholders its capital stock one and one-half times in the form of divs. In addition, the Co. has ore reserves valued at about $6,000,000 and has a substantial surplus in its treasury.

Ray Consol.—†It is estimated that 30,000 to 40,000 shares of Ray have been taken by N. Y. and Western interests in the Co., and the great bulk of this stock came from Paris. The Am. Smelting & Ref. interests are installing furnaces in the Hayden smelter, to treat 600,000 tons of 4% to 6% ores in the Ray. Cen. property, which should be available for mining by first of the year. —*Co. reports net earnings for the quarter ended Sept. 30, 1912, including earnings of the Ray & Gila Valley R. R., but excluding miscellaneous earnings, $650,713, as compared with $481,944 for the second quarter of the yr., and $358,625 for the first quarter.

Utah-Apex.—Annual report of Utah-Apex for yr. ended Aug. 31 shows net profit of $229,381; $85,305 was charged to depreciation, leaving balance to profit and loss of $144,000. Floating debt, Sept. 1, 1911, stood at $66,102, has been extinguished, and in addition $45,000 of the Co.'s bonds were purchased at 10% discount. Balance sheet shows cash, accounts receivable and supplies, amounting to $108,000; accounts payable, $15,517. Co. produced during yr. 34,110 tons of shipping ore, 47,945 tons of mill ore, and 15,854 tons of concentrates. Ore in sight or partly developed in Parvenue ore body is estimated at 100,000 tons, being the largest deposit of lead ore in the Bingham camp.

Utah Copper-Nevada Cons.—*Utah Copper reports for the quarter ended Sept. 30 last: Net profits, $2,539,584; incr., $1,389,060; divs. from Nev. Con., $375,187; total profits for quarter, $2,926,470; incr., $1,387,760; divs. paid, $1,182,413; incr., $5,401; surplus, $1,744,057; incr., $1,382,359. The total production for the quarter was 29,966,920 lbs. as compared with 28,372,038 lbs. in the preceding quarter, and 24,929,550 lbs. in the quarter ended Mch. 31 last. If the net miscellaneous earngs. in Utah, including those from the Bingham & Garfield Railway, were credited to the cost of operations, the net cost per lb. for the quarter would be 7.017c. The above earngs. are computed on the basis of 16.628c. per lb. for copper, which is 1c. less than the average net sales price for the period. The report of Nevada Consol. for quarter ended Sept. 30 in comparison with corresponding period last yr. follows: Earngs., $1,816,116; incr., $829,182; divs., $749,784; incr., $395; surplus, $1,066,332; incr., $828,787; undivided profit, $798,135; incr., $697,580. During the quarter 18,406,467 lbs. copper were produced, compared with 18,092,439 lbs. in the quarter ended June 30, and 17,578,450 in the quarter ended Mch. 31 last. Pres. Eccles states: "There has been a material incr. of cash on hand. If this general financial condition prevails at next div. declaration date, an extra div. will be declared of as much as is not needed for the conduct of the business."

Copper Notes.—†During 1912 28 increases in divs. of copper mining cos. have been made, 13 by raising their div. rates, 3 have paid their initial disbursements, and two mines have resumed divs. One co. has increased its rate four times, two cos. three times, and five cos. twice.—*The Copper Producers' statement for Oct. shows stocks Oct. 31, 76,744,964, an increase of 13,679,377 lbs.; production, 145,405,453; domestic deliveries, 84,104,734; exports, 47,621,342; total consumption, 131,726,076 lbs.

TRADERS' DEPARTMENT

P ECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes.

Notes On Office Trading

VII—The Trend and the Trading Swing

THE trader begins to part company with the speculator, definitely, at the point where considerations relating to the "trend" and other forms of "average" indications begin. Recognition of the static position of the market and study of trend-chart indications are matters which directly influence the speculator's operating judgment, and very properly so. The trader has only an indirect interest in such things. His immediate concern is detecting the technical position of individual stocks and hence the forecasting of intermediate "Trading Swings," which are largely the result of temporary and more or less purely technical conditions.

Such swings are merely incidental to the course of the larger movements and are frequently confined to a few stocks at a time. Moreover, those that are the most definitely foreshadowed are quite as likely as not to be in a direction opposed to the general trend, or may occur at periods when the broad-gauge speculator would be unable to discern any definite trend at all.

A price swing of the kind referred to, even when affecting the whole market more or less, is frequently not indicated by the trend chart until the choicest trading opportunities of that swing are already past.

The real use of trend charts and similar data to the trader is the way in which they may affect his diagnosis of the apparent technical position of individual trading stocks. They will give him warning of approaching changes in general market conditions and so lead him to be on his guard and watch for the first signs of a change in the technical situation in detail. In the period from June, 1900, to November, 1907 (referred to in the last Note), there were eighteen such changes of the main trend as against eighty or more distinct changes of the temporary trading outlook. In other words, the trader would, properly, have been bullish and bearish, alternately, *from a trading point of view,* eighty times, while the speculator was changing sides only eighteen. During the period in question my detailed charts record at least five hundred separate swings capable of being used by the trader who confines himself to the leading active trading stocks.

From the trader's point of view, therefore, it may be said that the general trend only interests him indirectly, and that he must go to the price movements of the individual stocks for guidance in the immediate formation of his trading judgment.

* * *

The ordinary fluctuations of an active stock can be classified for trading purposes under two heads:

(1) Those constituting a "trading position" or "area," during which the price oscillates within the limits of some particular range, only momentarily exceeding it; and,

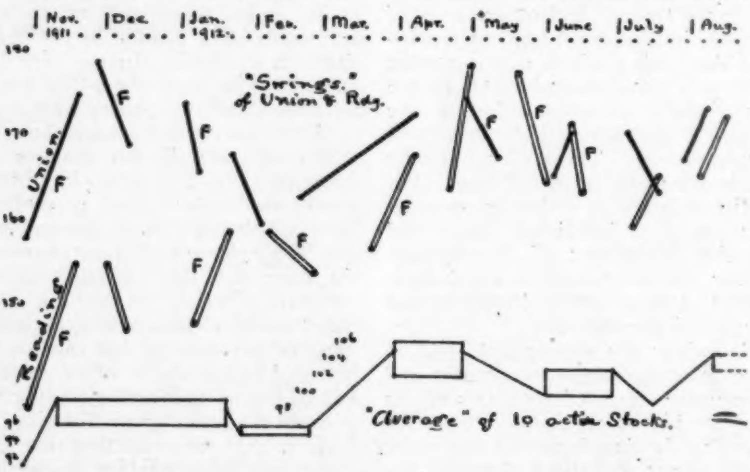
(2) Those constituting a "swing,"

when the price moves more or less continuously in a given direction until it reaches another trading position.

These trading positions are important objects of the trader's study. They frequently represent a considerable amount of backing and filling around a given price level, and it is then that the foundation is laid for the succeeding swing. It is possible in many cases to deduce the direction of the coming swing with considerable certainty. It will be seen later that, generally speaking, it is easier (with one exception) to foretell downward trading swings than upward ones. Moreover, it usually takes more manipulation to prepare for a declining main swing than for an upward one. The reason is simple. It takes no time, necessarily, for the "right people" to gather in all the stock thrown at them in a panic or at the bottom of a slump, but it requires a good deal of work to get rid of it again around high figures! The same principle applies to the intermediate movements, and to the movements of individual stocks.

Few traders seem to realize how many trading swings occur during one major movement, nor how divergent the action of the active trading stocks frequently is among themselves and as compared with the general trend. Almost the only time when practically all stocks move together is at the culmination of a panic or (usually) in a slump at the end of an intermediate decline of importance. The number of points passed over during these swings, also, is usually greatly in excess of the number of points included between the extremes of the general movement of which they form part.

The accompanying diagram shows the swings in Union and Reading from November, 1911, to August, 1912, and a ten-stock trend diagram for the same period. This diagram should be compared with the daily high and low charts of Union and Reading and with the daily trend chart. It will be seen that there were four upward and five downward swings in Union and six upward and four downward swings in Reading, in the ten months. The nine swings in Union covered about 78 points and the ten swings in Reading about 105 points. The swings in Union occupied rather more than half the whole period, and the swings in Reading rather less than half.



The swings as shown on the diagram by no means include all the upward and downward movements that occurred, nor do they always cover the full extent of the swings. A trader must necessarily "trade for turns" until he observes definite technical indications of the beginning of an actual swing. From that point he will, of course, endeavor to follow the move. In the same way he may be constrained to resume in-and-out trading before a swing is really completed.

Principal Swings in Ten Stocks for One Year.

Stock.	Total Swings.	Swings Technically Indicated.	Points Covered by Swings.	Average Size of Swings.	Per cent. of Swings Forecastable.
Steel	11 swings	8 swings	85 points	7.3 points	73%
Union	14 "	11 "	101 "	7.2 "	80%
So. Pac. ...	11 "	6 "	49 "	4.5 "	55%
Reading ...	17 "	13 "	124 "	7.3 "	82%
No. Pac. ...	12 "	8 "	65 "	5.4 "	66%
Lehigh	14 "	9 "	97 "	7.0 "	64%
Paul	12 "	9 "	70 "	6.0 "	75%
C. & O......	11 "	7 "	52 "	4.6 "	64%
Smelters ...	15 "	10 "	96 "	6.4 "	66%
Amalg.	14 "	11 "	95 "	7.0 "	80%
Total	131 swings	92 swings	754 points	6.3 points (Average)	60% (Average)

Certain details of this diagram call for comment in the present connection. It will be noted that Union made its highest point at the end of November, 1911, whereas Reading continued to advance till May, 1912. Union, again made a low point at the end of January at the time that Reading was maintaining a new high level. Union started up again in February, and had progressed some distance before Reading got ready to resume its advance, and started on its decline while Reading was still holding up. The swings of the two stocks were opposed in July. It will be noted that in practically all these cases the indications of the trend line would have been indeterminate, if not positively misleading, as a basis for actual trading operations.

This diagram does not include the period when the main turn was made—during the latter part of September, 1911—and purposely so. The idea is to illustrate the material the trader has actually to deal with. He wouldn't do much trading if he must watch and wait for the main turning points!

The ten-stock "average" diagram is drawn to the same scale, both vertically and horizontally. It will be seen how little direct assistance in actual trading could be deduced from such data.

The swings of Union and Reading shown were forecasted in actual trading in the case of those marked F, and all four swings in July and August were clearly foreshadowed and had I been trading (instead of recuperating on the "briny deep") I should doubtless have diagnosed some of them.

My assistant has worked out the swings in ten active stocks for the past year that were technically foreshadowed with the result shown in the accompanying table:

This table emphasizes the arguments made at the outset of this Note, and corroborates the conclusions drawn from the analysis of the diagram. Casual observation might cause one to think that all stocks suitable for active trading moved more or less together—which is true, in a measure, of their small, day-to-day fluctuations. But that is not enough for the trader. He has to decide upon the immediate, local trend and then has to select the stock which shows technical indications of being likely to participate when the trend (i. e. tendency to move, not the movement itself) materializes into a swing.

Sixty per cent. of the tabulated swings were thus technically foreshadowed more or less distinctly, and it is perfectly easy, now, to see that such was the case. But seeing how past movements might have been forecasted is not quite the same thing as foretelling a coming swing.

If a trader succeeds in diagnosing the situation in this regard half the time, and then profits to the extent of half the amount of the swings correctly anticipated he will be doing better than I ever could! I *happened* to do better than this during the eight months under consideration (see diagram), but my *average* experience has not been so good, by a good deal.

In a succeeding Note, in connection with the study of fluctuations and volumes, I shall point out the nature of the indications of approaching trading swings which have helped me.—B.

(To be continued.)

A Little Campaign In Lehigh

By H. H. LAKE

BEING impressed with the activity and wide movements in Lehigh Valley, I decided to confine my trading to this issue. I had about determined to sell it short at the time it advanced to 186⅞, when I was deterred by the announcement of the formation of the Lehigh Valley Coal Sales Company. Remembering the course of a good many stocks subsequent to the time "rights" were announced, I decided to hold off for the time being. I felt sure that something important was being planned as I could see the hand of the giant manipulator. This promised plenty of action.

Finally the day arrived when it sold ex-dividend 19 points, the opening price being around 166 ex-dividend. After a rally to 167 or so, it sagged off, but I was fearful of a run-in of the shorts, so I watched its descent to the neighborhood of 156. After this low level it rallied about three points, this being the first important rally since the ex-dividend price was reported.

Then followed some quiet working up and down over a one point or two range around the 157 to 158 level, where it worked so long without breaking that I decided it was time to buy. Accordingly, I entered an order to purchase at 157 with a stop at 156, and was fortunate enough to have my order filled without the stop being caught thereafter, as it immediately rallied to 158½. Dropping back a point or so, it rose sharply to around 159.

This strengthened my conviction that the bottom had been witnessed and an upward campaign was on, regardless of the course of the rest of the market, Lehigh Valley being an independent mover and to all appearances, easily manipulated.

I felt certain that if the stock continued to show a rallying tendency my position would be confirmed, so I entered another order to buy on stop at 160. After another small reaction it rose easily to that figure and I secured my second lot.

The advance continued without interruption to the 164 level, enabling me to raise my stop on both lots to 160. Then came a reaction of a couple of points with another rally to the top and a second dip to about 162. I felt that this working up and down over a two-point range was distinctly characteristic of bullish manipulation in a stock of Lehigh Valley's character, so I stood pat, confident of the outcome.

After a rise to 164 again, followed by a reaction of a point, full steam was turned on resulting in a vertical rise to 167. This made me very confident that we were in for a good big campaign and that insiders had picked up all the stock around low levels as there was little opposition to the rise. Ten or eleven points is a whole lot in some stocks, but to the people behind Lehigh this is a small swing. I therefore felt that the stock was a purchase on all reactions.

There was quite a little for sale from 166 to 167—enough to produce a reaction of 3 or 4 points. Here I became a little nervous and raised my stop to 161 on all of my holdings, but I was almost immediately reassured by a rally to 165⅞, and the stock acted as though it would go further. After seesawing between 164 and 165 again, it ran up to 166, then flashed up to 168¼, a point or so above where I expected it to go. As this was going pretty fast and the rise was accompanied by a large increase in the volume of trading, I felt that a considerable reaction was necessary to correct the technical situation. So as Lehigh began to droop, I sold 100 at 167½, my profit being 7¼ points net.

The reaction ran to a little below 164, then followed a rally of about 2½ points and another dip to the same level. Here I felt that there would be either a further decline or a rise to a new high level, so I moved my stop on my remaining 100 shares to 163 and entered an order to buy on stop another 100 at 166. In this way I made sure that my profit would not shrink any further than was represented by the 163 price, and if the movement should be upward, I would be taking back at 166 the 100 I had sold at 167½. After working up and down twice more in the 164 and 165 level and reacting to 163½ (within ½ point of my stop), the price rose up past 166, putting me long automatically at that figure.

The advance continued to 170¾, then it began to seesaw between that figure and 169. I suspected some inside selling and closed out 100 to 170.

At this point the general market looked very much like a severe break. It had been rising for a considerable time and was now hovering around the top without making any further progress on the up side. I had 11 points profit to my credit on what had been closed out, beside my paper profit on the 100 still held.

The market started downward with a jerk and Lehigh dropped off sharply to 167, and after thinking it over carefully I decided to stay long of the remaining lot on account of the tendency of this stock to move independently of the general market. However, I moved my stop to 164 so that all my profits could not be wiped out. The balance of the market looked pretty bad at this juncture and there was every indication that my stop would be caught, but I determined to sit tight rather than run the risk of losing my opportunity should the stock advance. After breaking below 167, rallying to 168, and a fraction, then dropping off to 165¾, it again rallied to 167. Here I moved my stop up to 165 and as the

stock was now in the same position as when it was between 163 and 166, indicating that if it started up from this level I had best go with it, I entered an order to buy on stop at 168. When this order was given, the price stood at 167, and I decided that if it declined a point from that level I would cancel my buying order at 168 because of the indicated weakness. But I got the 100 at 168 all right and then raised the stop on both lots to 166.

Almost immediately tremendous transactions began to appear on the tape and the stock soared to 171, 172, then a jump to 176, and finally reached 178¼ before reacting as much as a point. The heavy volume, the excited tape, the reaction to 177 and the rally to 178, followed by another reaction of a point, decided my course of action: I had a splendid profit and would be a fool to let it get away. Reasoning thus I dumped the two lots over at the market and received 177¼ for both.

My profit on the first lot, which I carried from 157, was 20 points. On the last lot bought at 168, 9 points were added to the first two of 11 points, giving me a total on all trades of 40 points.

A Retired Broker's Letter to His Son

MY DEAR BOY:

I dropped in at your office about noon today and found that you were out to lunch. Sorry to have missed seeing you, but I had some matters that required my attention before the five o'clock train, and couldn't wait.

Incidentally I noticed very few people in yours and the other two brokerage offices I visited; from this it is plain that the public is not in the market. Yet a number of stocks seem to find buyers at new high prices daily.

But the real cause of this outburst of correspondence is the little red Russia leather covered book which I saw lying on your desk—your chart book. From this I observe that you are studying the market, and I therefore want to impart a few kind words which may keep your top-piece from wabbling when you are on this trail.

As a concrete history of market movements charts are all right, but very often they are productive of brainstorms.

Don't wear your young life away keeping too many of them, for I have found people who keep the most charts make the least money. Somehow they grow so stuck on what their charts indicate that they are blind to what is actually going on in the market.

I've been through this chart game from Genesis to Revelation, and while charts generate a lot of ideas, it is a revelation to you when at last you learn that the fewer and simpler the better.

Use your charts to reinforce your memory; that's all.

A weather vane is, as you may have perceived, an instrument for showing which way the wind is blowing. Mark you, *is*. No one has yet invented one which will indicate which way it is *going* to blow. And unless you can learn from your charts this predominating requisite, go out on the hills of Hoboken and feed your little chart book to the Billy goat who seems most in need of nourishment. My ground for this suggestion is, the goat might better get your charts; otherwise the charts are liable to get your goat.

The easiest way to make money on a chart is to play it backwards; that is, look back and see where you certainly would have bought and sold, then figuring your profits is only hampered by the size of your paper.

There are only two objections to this kind of trading: (a) you can't spend the money you make, and (b) it is difficult to duplicate your marvelous financial feats when you have the real wampum at stake.

Funny, but it's true.

Judging from the numerous pages in your little red book devoted to the ups and downs and other wriggles of Steel, Copper, Reading and others, you are a confirmed chart-ite. Far be it from me to discourage you from any chase upon which you are intent, but a few well-chosen words of advice may help lubricate your way to success. Mind, you

may not get there in just the way you expect—we frequently aim for the tree top and hit a lark. All such study is helpful.

Having been through the chart proposition from A to Izzard, I would say:

Look upon your charts as concrete stock market history and remember that history seldom repeats.

Refresh your memory from your charts, but don't swear by their indications; they'll fool you too often.

Cut out the newspapers and news slips. Otherwise you may be unable to follow your judgment plus your charts.

Always limit your loss to one, two or three points. Remember that you may thus lose occasionally by having your stops caught, but your paid-for-in-full investor is the only bird that ever gets soaked for a hundred points.

Don't buck the trend. The market doesn't give a hang what you think; it goes serenely on its way. Go with it.

Having got your trend right, buy only on dips and sell on strong spots.

Never let a one point profit or more run into a loss.

Don't be influenced by the opinions of others. They don't know what you are trying to do. No two trade alike. The man who predicts a panic may eventually be right, but that won't prevent your making profits on the long side in the mean time. Some people have been predicting this sort of trouble for four years, but it hasn't come yet.

Above all, don't be a dabbler or a quitter. Go into this and anything else you tackle with all the energy you endowed yourself with when you selected me as your paternal ancestor. Don't ever let me hear you say, like the Dutchman, "Py chiminy, it can't be did!"

So here's hoping your charts may enable you to fathom the troubled waters of finance. Your affectionate

GOVERNOR.

When to Use Stop Loss Orders

Suggestions by Correspondents

EDITOR of THE MAGAZINE OF WALL STREET:

There is a fable about an ass starving between two bundles of hay because he could not decide which of them he should try first. Even the more intelligent person, who does not want to act blindly in such a dangerous business as stock trading and who decides to read up about this subject, is confronted by such a variety of conflicting views that he really feels lost sometimes, like the ass in the fable, and cannot decide which opinion to follow.

Take, for instance, the question of buying on a scale down, or the still more important question of stop loss orders. THE MAGAZINE OF WALL STREET as a mirror reflects any possible opinion about the technique of stock trading. You could hardly find a single number of this magazine in which the stop loss question would not be discussed in some way. And this endless discussion itself shows how hard it is to come to a definite conclusion about it.

One student of the market says, "Don't dare to trade without a stop loss order, otherwise you will go broke sooner or later." Another authority of just as much weight is against stop loss orders. He advises you to put up a 25 per cent. (not 25 point) margin and consider your profits assured.

And really stop loss orders often mean buying on bulges and selling on breaks. A stop order can shake you out of your stock at the very bottom of a reaction and then you are apt to present a beautiful sight of an ardent bull without stocks watching a runaway bull market, craning his neck for reactions to load up. And those reactions never come when you want them. On the other hand, where would you come out with a 25 per cent. margin if you had the misfortune to buy stocks in January, 1907, when the great decline began, when Amalgamated declined from 120 to 42, Smelters from 154 to 58, Steel from 50 to 22, Union Pacific from 182 to 100, Reading from 150 to 68 and so on? Well, 1907 was a panic year. Even the half-blind could see signs of the coming crash written on the wall.

But here is a more striking example: In January, 1910, after the magnificent rise of 1908 and 1909, the fundamental conditions of the country were so good that very many serious students of the market, if not all Wall Street, believed in a continuation of the bull market and in still higher prices.

If a man loaded up then with stocks, even

5 to 15 points below the top prices of the just passed bull market, on a 25 per cent. margin, he would have the pleasure of seeing his Steel decline from around 90 to 62, Union Pacific from 204 to 152, Amalgamated from 90 to 56, Smelters from 104 to 62, etc. Certainly he would lose all his capital in such a movement. And did not, in 1911, Amalgamated decline from 71 to 44, Steel from 82 to 50, Union Pacific from 192 to 153, and all this almost without a halt in two months? Don't forget that 1910 and 1911 were not extraordinary years, nor panic years; such movements can happen any time.

Of course, all this supposes buying near the top. But there is always somebody buying at the top and there is hardly any constant trader who has not passed through this troublesome experience.

This is why the beginner feels, between the conflicting views of the methods of trading, as the ass felt between the bundles of hay. He prefers sometimes financial starvation to operating in the market without a well established opinion of what is the right and what the wrong method.

The truth is, it seems to me, that those two methods, the stop loss order and the 25 per cent. margin principle, are both right, and it is only a question when and how to use them both.

In a word, if the price of a stock is lower than its intrinsic value, buy it on a scale down on a 25 per cent margin, and don't use stop loss orders. If the price is higher than intrinsic value, make your purchase all at one time, don't average, and never buy without a 2 or 3 point stop loss order.

Dr. Mark J. Wiss.

Ed. Note.—An excellent point is brought out in the above letter, namely that the trader should use stop orders unless he is buying at a price which he believes to be below the intrinsic or normal value of the stock which he purchases. It is not always easy to decide what the intrinsic value of a stock is, and for this reason the purchaser who does not use a stop order would not in all cases be entirely safe in depending upon a margin of 25 per cent. Changes in business conditions subsequent to his purchase might reduce the intrinsic value of his stock to a point where 25 per cent margin would be endangered. If perfect safety is desired, it would be necessary to use at least 50 per cent margin on all such purchases, and in most cases it is better to pay for the stock in full and lay away the certificate until such time as a satisfactory profit is shown.

If only 25 per cent. margin were used this would operate substantially like a stop order placed 25 per cent. below the purchase price. Of course, the trader might so divide his capital and plan his campaign as to provide for the possibility of his margin being exhausted. This, however, would really be a modification of the stop order plan.

Editor of The Magazine of Wall Street:

It is a common remark in certain brokers' offices that "they don't bite the way they used to." Why? The Magazine of Wall Street! I have taken your magazine from its first issue and have *learned the business* from it. Yet, with all your educational benefits you have overlooked the following good bets:

(1) The Trend, when is it defined? Did you notice that last February Reading went up 20 points and Union Pacific down 20, while the Trend stayed the same, if a chart was made of 10 or 20 rails, with those two leaders in it? Oh, give us a new one!

(2) Why don't you—or someone—state that the *real* reason that brokers always advise the long side, is not because the "sucker" is always optimistic, but because the average broker makes his great profit on the difference between what interest he charges the customer and what he (the broker) pays for the money? If a house charges 6 per cent. interest and borrows the money for 4 per cent. they make $20,000 a year on every million dollars' worth of shares. When the customer sells short the broker loses this pie. I dare you to publish this; also the fact that a man with $5,000 margin trading in 100 share lots is expected by the broker to last only two years.

(3) Three years ago I asked you if you believed in stop loss orders, as this was the most disputed point in Wall Street. You emphatically advised using stops. Since then I have become absolutely convinced of the worth of that advice. The "insiders" play with marked cards and the stop loss is the only protection. The whole system of manipulation is to induce people to buy when they should sell and sell when they should buy. When the corporation is rotten, the insiders increase the dividends and sell out on the rise; and when it is good, they reduce the dividend and increase expenses so the stock will fall —and they hold the bag! Now if anyone can beat that without a stop loss, he can make $9,000,000,000.

The whole trouble with the stop is that the "lambs" don't know where to place it. They are always asking, "Shall I put on a two, four or five point stop?" Now, here's the trick: The stop loss belongs at the danger point. That point may be 10 points off or only 1/4 off, but once reached the stop becomes absolutely imperative. In short, the scientific placing of the stop at the danger point is the important thing. Averaging on the reaction is a silly method. That "little reaction" in Union Pacific a year ago last August ran into 40 points. Learn where to place a stop. You are then footloose, *i. e.*, you can get in or out at any time. I know a man who was hung up with all his capital, for seven years in Copper.

Adam Sourguy.

We are glad to learn that our magazine has been of so much practical use to this subscriber. We do not, however, fully agree with all his comments. It seems to us that a knowledge of the general trend of the market is of great value to the trader, in spite of the fact that one or more stocks may, under some circumstances, move contrary to the trend.

Reputable brokers are not influenced in their advices to customers by the fact that they

usually make a small profit on interest account in carrying stocks for customers. Our experience has been that the best brokerage houses charge but little more than the call money rate, taking an average over a series of years. The most reliable brokers, in our opinion, are sincere in their efforts to promote their customers' interests in every way. Doubtless there is another class of brokerage houses, but it is growing smaller every day.

As for the statement that the customer with $5,000 is expected to last only two years, we know that legitimate brokerage houses do not hold any such views. The success of each customer depends on his own ability, shrewdness and willingness to study.

Averaging With the Trend Letter

A Correspondent Thinks This is a Mistake

EDITOR of THE MAGAZINE OF WALL STREET:

I would like to ask one question which has come into my mind in regard to your service in the Trend Letter, which is doing remarkably well. Is not the theory of splitting commitments and putting a stop on the average price an erroneous one in the case of your service? I have been watching it carefully and comparing it with my own actions and find that in most cases we agree to the same thing at about the same time, I usually a little first.

Your advices have been so accurate that you have been able in practically all cases in the last year to tell the turn within three points. In the only cases where you did not, you were in wrong for more than the three points and so lost out. Now here is my argument: When you advise buying only one-half quantity, and there is no chance to average, only half profits are made. But when, on the rarer occasions, you are wrong, you lose on the whole quantity because of averaging.

Suppose we start with 200 shares, and you say buy one-half and average, and then this is the time you go wrong, we lose three points on 200 shares. Then on the next operation you say buy one-half, and as usual there is no chance to average or perhaps only a chance in one stock, then you have to make six points net on the 100 shares to get back the previous loss. Would it not be better, if you think that on some occasions four and one-half points ought to be allowed to get the turn, to trade in the full quantity and place stop at four and one-half points? Then on the next chance you would have to make four and one-half points, compared with six in the other case, to get even again.

Then again, it seems to me that unless you feel that the turn will be within three points, or in other words that the high or low has been passed and that the trend has turned, you would not advise action but would wait until you did think so. Really you are trading on a 40 point margin and loosing twice as heavily as gaining on the average, although you are so successful that losses are smaller than gains by a considerable amount. But would not it be better to sell or buy the whole amount at once and stop at four and one-half points, if conditions are unsettled, so that three points are not enough?—H. B.

On the record made by The Trend Letter during its first year, of 21 points loss and over 110 points profit, it would certainly seem that you are right.

Our plan of dividing a purchase into two parts, one-half at the market and the other half on a further decline of three points, was this: We did not expect to be able to call the turn on the market any closer than three points. We were not going to try to give tips on the immediate movement of prices, but to determine the general trend of the market, as is indicated by the name of our service, "The Trend Letter." We assumed that, so far as the immediate movement of the market for three points was concerned, we might frequently be in error, but that we would be able to discern the broad general trend of the market in the majority of cases.

To consider the matter from the theoretical standpoint, let us assume that a trader knows nothing about the probable movement of prices, but is operating entirely on chance. It would then be immaterial whether he made his entire purchase at one time or divided it into two parts to be purchased at an interval of three points. On the theory of chances, results in the long run would work out just the same in either case.

Accordingly, if we assume that "The Trend Letter" makes no attempt to gauge the next three-point movement of the market but is considering the longer moves only, we would have nothing to lose by dividing a purchase into two parts, and we would have the advantage of making smaller losses at one time; that is, instead of losing four and one-half points on the entire line, we would, as a result of dividing the purchases into two parts, lose only three points. It is important in a service of this kind to keep losses as small as possible so that subscribers may not become discouraged.

However, as you say, on the basis of our

actual record during the past year, we have indicated the turning points so closely in the majority of cases that better results would have been obtained on the average if we had made the purchase all at one time instead of averaging.

We are seriously considering making the change in methods that you suggest. The difficulty in adopting it is perhaps a psychological one. When we discern a change in the trend, we cannot, of course, feel any certainty that the change will take place within three points of the current price. Hence, we feel much more comfortable about the position of our patrons if we allow a little more leeway by dividing the purchase into two parts. Even though our past record shows that we have come as close as three points to the turning point of the market in most cases, we are still, in any particular instance, inclined to fear that this may be the time when more leeway may be needed.

You will probably be interested in four articles on the theory of averaging which appeared in this magazine in October and November, 1911, and January and February, 1912. Three of these articles were prepared by Mr. Selden, who has made a careful study of this subject, and the fourth by a practical trader of long experience, who is now writing for us the very excellent series entitled "Notes on Office Trading." We thank you for your suggestion, and it will receive our careful consideration.

INQUIRIES

This department is to answer miscellaneous questions in regard to the science of investment, methods of operating, the customs of the markets, etc. Please write questions briefly and, if personal reply is desired, enclose stamped and self-addressed envelope. Address INQUIRY DEPARTMENT.

Interpreting Bank Statements and Ry. Reports.

I am a constant and appreciative reader of your valuable monthly, and will thank you to advise me as to which pamphlet published by you (or any one else) will furnish me information on the following: I should like to be able to interpret correctly the weekly New York bank statement, also any condition statement made by a bank, and annual railroad reports.—F. A.

We would suggest "Work of Wall Street," by Sereno S. Pratt, price $1.89, postpaid; "How Money Is Made," by Henry Hall, price $1.62, postpaid; and the "Anatomy of a Railroad Report," by Thomas Woodlock, price 66c., postpaid, or "How to Analyze Railroad Reports," by John Moody, price $2.10, postpaid. We think these books will give you the desired information.

The Dow Theory.

I see Mr. Dow's name quoted in articles about odd lots. Will you please let me know if he has published any books and what they sell for.—F. D.

You will find the "Dow Theory," so-called, in "A B C of Stock Speculation," price, 66 cents, postpaid. You will note further description of the book in our catalog.

Execution of Odd Lot.

Desiring to sell 75 shares of Allis Chalmers common, first assessment paid, I sent certificate to my brokers. They advise sale at 50 cents and send settlement of $26.62 as per enclosed. The sale apparently was made on September 30. Is this deal an honest one? Your magazine recently quoted around $1.50 as the value of the common.—C. B.

There were no sales of 100-share lots of Allis-Chalmers common recorded for the week in which your sale was made. For the month of September, however, the range of the price "1st paid" was from ¼ to 1¼. In view of the inactive market and the low price of the stock at that time, we see no reason to doubt that your order was properly executed.

Theory of Bond Values.

Have you a book explaining the theory of bond values, construction of bond tables, etc.? —J. R.

"The Principles of Bond Investment," by Lawrence Chamberlain, devotes a good deal of space to the theory of bond values and the mathematical principles upon which bond tables are usually constructed, etc. Our catalog gives a more complete description of the book.

Broker's Failure.

I was long some Atchison stock with a firm which recently failed, and would like to know how to proceed.—K. H.

If you were trading on margin, you will be obliged to wait and take your chances with other creditors. If your deposit with the firm was for the purpose of buying stocks for cash, and if your Atchison stock was fully paid for, then the stock is yours and you should at once demand that your stock be delivered to you.

Business Barometers.

Please advise me if the book "Business Barometers," by Roger W. Babson, takes up the subject of predicting bull or bear markets from the business indicators. What year was the book published?—E. L.

"Business Barometers" is mainly devoted to the interpretation of statistics as bearing on general business conditions. Necessarily, however, the condition of the stock and money markets is also included, and many helpful suggestions are made. The latest edition of the book was published in 1911.

Puts and Calls.

Do you think anyone has a fair chance for a profit in dealing in puts and calls? Is this method of doing business strictly legal and honest?—J. D.

Puts and calls are useful and profitable under certain conditions of the market, where the trader believes a wide move is coming in one direction or the other.

If he thinks the move is to be upward, he can buy calls in the expectation of calling his stock after the price has advanced sharply, or he can buy puts and use them as protection for his long stock. The advantage of this is that the market may decline temporarily without causing him any loss, provided it afterward advances again during the period covered by his put or call. He is protected and knows exactly what his greatest possible loss could be, while he has the opportunity to secure whatever profits may result from the movement of the market in his favor. The trader should purchase only such puts and calls as are endorsed by Stock Exchange houses. Trading in these privileges is entirely legal and honest.

Gt. Northern Ore and the War in Europe.

I notice Great Northern Ore has declined on the European war. What possible bearing can the European war have upon the earnings?—E. H.

We do not see that the European war will have any probable effect on the earnings of Great Northern Ore, but it has a very important effect on the money market and foreign holdings of stocks. These factors affect the prices of all stocks, Great Northern Ore included.

Collateral Loan on Steel Common.

Would thank you for some advice as to the possibility of a New York bank accepting U. S. Steel common as collateral on a loan and, if acceptable, what per cent. of the market value of the stock could be obtained?—S. M.

New York banks usually loan about 80 per cent. on what is called "mixed collateral," which is generally one-half or two-thirds railroad stocks and the remainder good industrial stocks. Just what arrangement you could make for a loan on U. S. Steel common alone, would depend on the attitude of the particular bank with which you might take the matter up. In view of the prominence of this stock and the ready market for it, we imagine you might get a loan of perhaps 60 per cent or 70 per cent. of its market price.

Weekly Highs and Lows.

From what source can the weekly fluctuations of stocks for the past ten years be obtained? How can the accumulation or distribution of stocks be determined? Do large sales or small sales indicate this condition? —A. G.

For the weekly high and low of any stock over a period of years, the most convenient source is a file of the *Commercial and Financial Chronicle,* which is kept by many public libraries. You can also get these figures from the tables of weekly transactions as compiled by many newspapers, *Herald, New York Times, Evening Post,* etc.

In past issues of this magazine, you will find many articles touching upon accumulation and distribution, so-called. This process is usually accompanied by large sales around a certain level of prices, often followed by a period of small sales on about the same level. After this period of hesitation, an increase of transactions on an advance is apt to indicate that accumulation has been in progress, while a sharp break, usually accompanied by increased transactions, is likely to indicate distribution.

The Trend.

In the September number, page 277, I notice an article, "Methods of Successful Traders," by "Germany." He says the only thing that will carry a trader through at all times is to know the trend and follow it. Is this the figure chart of Dow-Jones averages that you publish in the magazine every month, which gives the trend of all stocks?—J. M.

The trend referred to by "Germany" in his article on "Methods of Successful Traders," simply means the general tendency of the market over a considerable period of time. The figure chart which we publish every month is usually of some assistance in determining this trend. We also publish "The Trend Letter" in which we give our opinion as to whether the trend is up or down. This letter has proven to be correct four times out of five for the past year. Specimens will be sent upon request.

One-Eighth Point Charts.

Do you consider the ⅛ point figure chart, substituting volume of sales for the price, as shown on page 135 of "Studies in Tape Reading," of practical value to the average trader? —L. B.

The form of chart you mention is of little, if any, value, in predicting the longer swings of the market. It may be some help to the tape reader to keep this chart as an aid to his memory, but if he does this he must bear in mind that the chart does not show the rapidity with which transactions follow each other. It

shows prices and volumes, but does not show the element of time, and this is usually as important in tape reading as prices and volumes. Hence the tape reader will not be able to predict the action of the market from this chart direct. If he uses the chart, it will be merely as a sort of supplementary and detailed memorandum.

Bargain Indicator—Execution of Order—Selling Ex-Dividend.

In the September issue, Am. Loco. com. occupies the third place in your "Bargain Indicator," and in the October number it is relegated to the 43rd place. Of course, I understand that the position in the list is based on the last year's earnings, but is it not misleading for all that?

On Aug. 31 the writer sent the following order to his broker: "Please buy for my account 20 shares of Am. Loco. com. at the market." The order was written on the morning of the 31st and delivered at the office of the broker at about 7.45 A. M. of the same day, the writer not knowing that there was not any market on that day. The broker executed the order at the opening of the market on Sept. 3. Was this correct? I have always understood an order was good only on the day and date given.

If a person is short of the market and the stock he is short of sells ex-dividend, and the stock is marked down the amount of the dividend, is that person also charged with the amount of the dividend? For example, a person is short of a stock at 160, and it sells ex-dividend 1½%; his stock is marked down to 158½. In addition to this, when his statement is rendered he is charged with the dividend of 1½% or $150 for each 100 shares of stock he is short. Is this the correct practice of brokers?—C. B.

If you will refer to the heading of the "Bargain Indicator," you will notice that we warn you that the value of a stock cannot be judged by its position in the table only, and that earnings for successive years as given must be carefully examined, with a view to stability and growth as well as amount. Arranging the stocks in the order indicated by their earnings for the last fiscal year, seems on the whole better than any other arrangement. We would be glad to discover a better arrangement. Do you think of one?

In regard to your purchase of 20 shares of American Locomotive, we should say that the broker was justified in executing your order on September 3, unless you specifically limited it to August 31. As there was no market on August 31, he would naturally conclude that the order was intended for the first market session.

If you are short of a stock when it sells ex-dividend, your account is charged with the amount of the dividend, for the reason that this sum is taken off the price of the stock as quoted. If you were not charged with the dividend, you would be receiving the amount of the dividend as a gift, when the price of your stock was marked down on the exchange to cover the dividend.

Taking an Investment Position on the Short Side.

There is one more question I would like to ask: Do you think a man who took a position for the long pull on the short side in January, 1903, January, 1907, and January, 1910, expecting to cover at a lower price in the latter part of the year, would be better off when he enters the market at top to use a "stop loss order" or a "privilege" running 60 days? The stop loss order may be closed out several times before the market gets away from the "selling" price. On the "long" side I buy only outright prepared to average every five points or more as necessary, and expect to hold for a year or so. What is the cost of privileges? —J. P.

In regard to the use of privileges to protect short trades for a long pull, we are inclined to doubt whether you would get satisfactory results in this way. The cost of a privilege running sixty days or more is likely to be high. Exact figures would vary for different stocks and under different conditions of the market. Whatever is paid for this privilege is, of course, equivalent to a loss before your trade begins and you have no guaranty that the market will not hang around the high prices for six months or longer. For example, in 1906 the highest prices were reached in January, but owing to vigorous manipulation by Mr. Harriman and to sensational advances in his stocks the average was pulled up again in December, 1906, almost to the high point. The operator for a pull on the short side might easily have sold short in January, 1906. Of course, he might have been bright enough to cover in the spring of 1906 and sell short again in January, 1907, in which case he could have used privileges both times with satisfactory results.

The above remarks are not to be interpreted as any criticism of the use of privileges by the active trader. They often save him from an unnecessary severe loss and may be used to advantage in many ways.

It is impossible to lay down any general laws on such a subject as this, because so much depends on the individual methods of the operator and the peculiarities of his own mind. It seems to us, however, that as a rule, it is better to use a liberal margin on the short side protected by a stop order far enough up so that it would probably not be reached unless the stock was cornered. In other words, "investment" trading on the short side, if such a term is permissible, should be handled about the same as investment trading on the long side.

Interest Charges.

Are the interest charges on the enclosed broker's statement correct? Why is the account balanced October 22 and again at the end of the month?—W. B.

It is the custom of brokers to debit the cus-

tomer with interest on each purchase from the date when the purchase was made down to the end of the month, or, as in this case, to the date when all trades were closed out and the account balanced up. Then the customer is credited with interest from the date when each sale is made down to the date when the account is balanced up, including, of course, interest on his cash balance.

The reason your brokers balanced your account on October 22 and figured interest down to that date instead of to the end of the month, was that they both charge and credit you interest at the rate of 6 per cent. during the time when you had trades open, but when you merely have a cash balance on their books, without any open trades, they allow interest on your balance at the rate of only 2 per cent.

Accordingly, on your long Steel carried over from the previous month, you are charged with interest for 22 days, down to October 22, but you are also credited with interest from October 10, the day you closed the trade, until October 22, or 12 days. This leaves you paying interest for ten days only, October 1 to 10.

On October 10, you sold 100 shares short, and on October 15, bought 200 shares, thus closing your short trade and leaving you long 100 shares. Your brokers entered this purchase of 200 shares in one item, charging you interest on the whole 200 shares from October 15 to October 22. Then they credited you with interest on 100 shares for the same length of time, seven days, because 100 shares had been purchased to cover your short trade, on which no interest was charged.

In the remainder of the month, you had no long stocks; hence, were charged no interest but were credited with interest on your cash balance at the rate of 2 per cent.

Financial Dictionaries.

Are "Smith's Financial Dictionary" and Montgomery Rollins' book, "Money and Investment," treatises of the same order? That is, is one similar to the other in its contents?—R. M.

The two books are somewhat similar. "Smith's Financial Dictionary" covers a larger number of topics, but "Money and Investments," gives more complete explanations.

Readers frequently ask to be referred to responsible brokerage houses. In making such a request, please state what amount you have for investment, or in what sized lots you wish to deal. Also state what large city is located most conveniently to you, or if you have any preference in this regard.

We refer our readers only to such houses as we would consider safe custodians of our own funds, but of course can take no further responsibility.

The Figure Chart

The following figure chart completes the chart on page 108 of the July, 1910, Magazine of Wall Street, down to date given below. It is based on the daily average closing bid price of 20 standard railway stocks, and gives a general view of the course of the market since June, 1910.

Scale.	June 22, 1910.			July 27.						Oct. 18.		Feb. 20, 1911.				June 7.				Sept. 27.				Nov. 23.			Apr. 20, 1912.								Oct. 5.				
124																																	4		4				
123																3	3	3															3	3	3	3			
122															2	2	2	2										2					2	2	2	2	2		
121															1			1									1	1	1	1			1	1		1	1	1	1
120															0			0									0	0	0	0	0	0	0			0		0	
119	9*											9			9			9					9				9			9	9	9	9						
118	8	8							8			8	8	8	8			8				8	8	8			8					8							
117	7	7							7	7		7	7	7	7			7				7	7	7	7	7	7												
116	6	6							6	6		6	6					6	6			6		6	6	6	6												
115	5	5				5			5	5		5						5	5			5				5													
114		4				4	4		4	4	4	4							4	4	4	4																	
113		3	3			3	3		3	3	3	3							3	3	3	3																	
112		2	2	2		2	2	2	2	2										2	2																		
111		1		1		1	1	1												1	1																		
110				0	0	0														0																			
109				9	9	9																																	
108				8	8																																		
107				7	7																																		
106				6																																			

***In order to condense the chart, only the last figure of each number is given. Thus 9 represents 119, etc.**

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation, with the best available comparisons for the corresponding month (or nearest month obtainable) in each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
November, 1912.......	5⅞	4⅝	25.2	101.2	.....	.....	$34.59
October, 1912.......	6	4¼	25.4	100.3	.....	.....	34.42
September, 1912.......	5⅞	3⅞	25.3	99.8	15.2	102.9	34.36
November, 1911.......	4	4⅛	25.9	99.4	16.3*	103.7*	34.43
" 1910.......	5⅝	4⅜	26.0	102.8	16.6*	106.8*	35.01
" 1909.......	5½	4⅜	25.9	101.1	17.1*	103.0*	34.95
" 1908.......	4½	3	27.1	94.3	19.1*	105.1*	35.22

* September.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City. (000 omitted)	Balance of Gold Movements —Imports or Exports. (000 omitted)	Balance of Trade Imps. or Exports. (000 omitted)
October, 1912....	$99,004	$17,249,398	$7,110,401	.....	Ex. $76,701
September, 1912....	47,735	13,164,149	5,731,313	Im. 3,632	Ex. 54,839
October, 1911....	51,448	13,568,107	6,057,903	Im. 118	Ex. 77,760
" 1910....	115,219	13,826,249	5,922,160	Im. 3,500	Ex. 83,662
" 1909....	128,272	15,871,824	5,819,482	Ex. 2,345	Ex. 73,024
" 1908....	165,173	12,146,793	4,912,521	Im. 1,833	Ex. 69,944

	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron.	Produc'n of Iron (Tons.) (000 o'td.)	Price of Copper (Cents).	U. S. Production of Copper per (Lbs.) (000 o'td.)	U. S. St'l Co. Unfill. (000 o'td.) Tonnage
November, 1912.......	9.48	2722	$18.50	.....	17.4	....	.....
October, 1912.......	9.45	2740	18.00	2,689	17.3	145,405	7,594
September, 1912.......	9.21	2722	16.93	2,463	17.5	140,089	6,551
November, 1911.......	8.89	2576	15.15	2,102*	12.6	118,255*	3,694*
" 1910.......	8.88	2453	15.91	2,093*	12.7	126,000*	2,872*
" 1909.......	8.96	2306	19.08	2,599*	13.1	124,000*	4,796†
" 1908.......	8.06	2194	17.25	1,567*	14.1	....	3,422†

* October. † September.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures. Total Liabilities.	Crop Conditions. Spring Wheat.	Corn.	Cotton.	Babson's Average 10 Leading R. R. Bonds.
November, 1912..	51,259*	....	....	....	....	....	96.2
October, 1912..	31,579*	$41,131,514	$14,588,706	....	82.2	....	96.2
September, 1912..	9,750	36,827,818	19,454,176	90.8	82.1	69.6	96.0
November, 1911..	26,514	40,657,428†	17,088,776†	56.7‡	70.4†	71.1‡	98.0
" 1910..	13,581	41,929,528†	15,612,799†	63.1‡	80.3†	65.9‡	98.2
" 1909..	3,286*	41,810,000†	11,268,390†	88.6‡	73.8†	58.5‡	100.1
" 1908..	109,515	47,305,000†	16,661,717†	77.6‡	77.8†	69.7‡	99.9

* Shortage. † October. ‡ September.

The Situation Summarized

[While an attempt is here made to divide the important factors into favorable and unfavorable, this classification is for convenience only. It should be fully recognized that the same factor may have a bullish effect in one direction and bearish in another, or may be bullish in its immediate influence, but containing dangerous possibilities for the future. Also, it would be impossible to strike a balance in this way, as one bullish factor might be so important as to outweigh all bearish considerations, or vice versa.]

Favorable

Election out of the way and the presidency decided by a plurality large enough to leave no question as to the people's desire. As both houses will be Democratic, definite, constructive action is possible. There is a general feeling that Wilson will favor temperate and well-considered action.

Corn Crop estimated by Government at 3,169,000,000 bushels, far the largest on record.

Bank clearings for October established a new high record, 17 per cent. over October, 1911; due to large crops and general business activity, as speculation in stocks and in all commodities is now on a restricted scale only.

Steel orders show big increase, both for U. S. Steel and for independent companies. Orders are not only from railroads, but from all miscellaneous sources also. U. S. Steel orders running nearly double capacity; now booked nine months ahead.

Gross railroad earnings continue to show large increases. Net earnings hold up well, but do not, of course, keep pace with the gross.

Retail trade good. Record holiday distribution expected. Mail order business about 10 per cent. over last year.

Commercial failures for October show pronounced falling off; smallest October liabilities for six years, with exception of 1909. However, for ten months liabilities have been largest since 1908.

Savings banks deposits increased $239,-234,000 in the past year. Per cent. of increase is much greater than that of population.

Foreign exchange now nearly at the gold import level. Believed, however, that Europe's need for money will prevent any large movement of gold to this country.

Rise in consols and other low interest-bearing securities at London leads to belief that reaction to easier money conditions there will not be long delayed.

Unfavorable

Tariff question will be reopened next spring, requiring readjustment of business to new schedules. General reductions cannot be very sharp, in view of large revenue requirements of the Government, but the tariff on individual commodities might, of course, be greatly lessened or removed altogether.

Balkan war is an unfavorable feature and must remain so until all questions connected with it are fully settled. Its effect on the money market has been considerable. Early peace, without serious complications, is now hoped for.

Money trust investigation may perhaps prove beneficial in the end, but is at least temporary unsettling, like any proposition for important changes in existing methods of doing business.

Copper stocks on hand increased 13,679,-000 lbs. in October. Now the largest since last January, but still not excessive compared with previous years.

Foreign bank rates have now been advanced all over Europe—England, France, Germany, Austria, Belgium, etc. This has had the effect of liquidating an over-extended speculative position in several countries, notably Austria.

Money at New York still firm, but not stringent. Possibility of higher rates during December, but January will bring relaxation. Commercial paper now a shade easier at 5¾ to 6 per cent. Loans of clearing house banks (exclusive of trust companies) still exceed deposits.

Issues of new securities for 1912 will be well above $2,000,000,000, far the largest on record. These steady demands for capital keep bond prices relatively low.

Coal rates reduced on Lackawanna by Interstate Commerce Commission. Similar action on other coal roads is probable.

Railway conductors and trainmen on 52 Eastern roads ask wage increases aggregating $27,000,000 a year. Decision of arbitration committee on engineers' demands expected soon.

The Outlook

Some of the Factors Beneath the Surface of Current Events

By G. C. SELDEN

THE general course of railroad stocks for ten years is shown in chart form below. The last week given is that ending November 16, 1912.

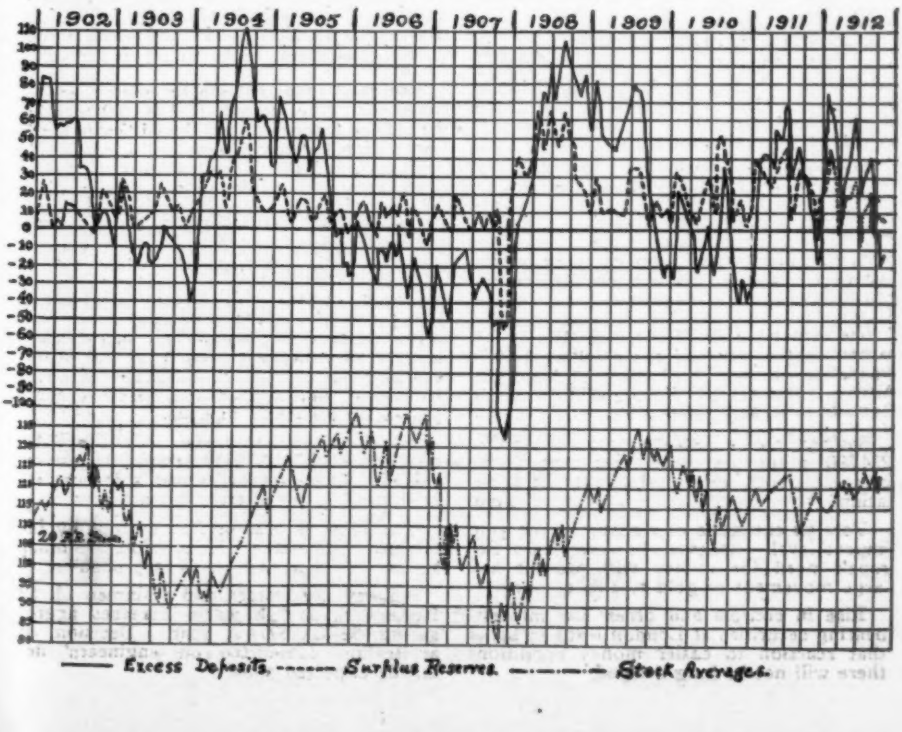
The diagram also shows, in millions of dollars, the course of excess deposits and surplus reserves of New York clearinghouse banks (excluding the trust companies). The zero line represents equality of loans and deposits.

Results of the election. The firmness of the stock market in view of the complete overturn in the control of the government shown by the election returns has been a most noticeable feature of the situation. Downward revision of the tariff has always been a bugbear in this country. This is not saying that a high tariff is necessary to prosperity, a point on which opinions differ widely; but when business is adjusted to a certain level of duties, any reduction, and especially a prospective reduction of uncertain amount, means that caution must be exercised in all industries likely to be affected.

Caution means placing fewer orders and temporarily checking extensions and improvements. If this is taking place in industries liable to be affected by tariff changes, other industries, not directly dependent on the tariff, will be sympathetically influenced. Thus a tone of conservatism gradually spreads through business circles until the proposed changes are completed and their effect has been measured.

Again, the mere fact of a change in the party controlling the government may naturally be supposed to result in a certain degree of conservatism. The Democratic party has been out of power for 16 years—a most eventful 16 years, during which great changes in public sentiment have occurred. The fact that the party was at loggerheads with itself twenty years ago and did not demonstrate any marked constructive ability, cannot be accepted as any criterion of its present governing capacity; but it must be admitted that it is an unknown quantity, and unknown quantities in the situation do not generally tend to promote active business conditions.

Yet the stock market rebounded sharply from its momentary and trifling depression the day after election, and up to this writing has maintained a higher range of prices than was touched before election on the foreign selling movement caused by the Balkan war.



—— Excess Deposits, - - - - - - Surplus Reserves. —.—.—.— Stock Averages.

Two theories are advanced to account for this action of the market, which might be called, respectively, the "economic" theory and the "anthropomorphic" theory. The first is that the accumulated buying power, as a result of generally prosperous business conditions, is so great as to more than counterbalance any unsettling effect of the election. The second is that the big banking powers, foreseeing business dullness as a result of new government policies, have been "supporting" the market until they can make an opportunity to sell as many of their stocks as possible.

It is also conceivable, of course, that both these explanations might be true. Banking interests may desire to support the market, within reasonable limits, and they may find it possible to do so because of the generally prosperous condition of business and the hopeful tone of public sentiment. In fact, this is the view of the matter that appeals most strongly to me.

The Balkan War. There are apparently two forces in sight, either of which would be likely to end the war soon. One is the cholera, which is now ravaging the Turkish army and is reported to have secured something of a foothold among the allies also. The fear of this dread scourge will be even more effective in ending hostilities than any possible interference by the great European powers. The other influence is the limitations of the allies' resources. The war is costing them at least $1,000,000 a day, and these countries are relatively poor. Their resources must be already nearing exhaustion, and a long war is impossible.

The Austro-Servian complication can scarcely be conceived as involving the great powers in war. It is of but slight importance to Europe as a whole whether Servia gets an Adriatic port or not. Constantinople is the key to the situation, and this city the allies do not expect to hold. The most they hope for is to make it a neutral port. Nor is there any probability that any of the great powers will attempt to seize Constantinople, as the failure of the effort would be a foregone conclusion.

Certain incidental effects of the war are important. Vienna had been carrying on an excited speculation and was decidedly overextended when the war broke out. To a lesser extent this was true of Berlin and to some degree of London also. The sharp liquidation caused by the war and the resulting higher money rates have relieved this condition. The Austrian Minister of Finance stated to the Reichsrath his opinion that the panic on the bourse there was merely the inevitable breakup of a period of reckless speculation, which must have come soon in any event. Since the panic, stagnation has reigned on the Vienna bourse. In Germany several failures of banking and brokerage houses have occurred and the volume of speculative commitments has been greatly reduced.

This heavy European liquidation has tended to lessen the strain on the money markets abroad, so that an early ending of the war and consequent fall in bank rates would be likely to enable America to draw gold from Europe, thus easing our own money situation, at least temporarily.

Money at New York. Some further movement of currency to the country during the first weeks of December is quite possible, but the probability is that the bulk of the demands for crop moving purposes have been already satisfied. Some of the large interior banks are building up their New York balances in order to take advantage of any high money rates which may appear during December. This will tend to relieve any possible stringency and the outlook now is that nothing worse than continued firmness is to be expected.

The deficit of deposits under loans, as shown by the diagram herewith, will probably disappear in January, with the return of money from the country; but the present activity of general business is so great in all industries that the relaxation will doubtless be temporary only.

For this reason the January reinvestment demand, which is always counted upon by speculators, may prove somewhat disappointing. The active demand for money for general business purposes is shown by the continued firmness of commercial paper, which has remained close around 6 per cent. for two months. There is little advantage in putting money into standard stocks and bonds when general business is ready to pay 6 per cent. for it.

The steel industry is approaching boom conditions. The increase of 1,043,000 tons in the unfilled tonnage of the United States Steel Corporation last month was double what had been expected, and it appears that the independent companies did almost equally well. All are sold ahead for six months or more, and many mills are experiencing difficulty in getting shipments out. This condition will apparently continue through the winter. The railroads, also, have more business than they can handle and car shortages will be the order of the day for some time to come.

The roads are ordering cars that cannot possibly be delivered before next fall. Pig iron on hand equals only ten days' supply at the present rate of production. The October iron output set a new high record for the industry.

With a corn crop 30 per cent. larger than last year and all other crops abundant, it is no wonder that the average business man feels that for the present he is on a sound basis, regardless of politics.